LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Audit Committee Agenda

REGULAR MEETING

TUESDAY, DECEMBER 12, 2023

TIME: 9:30 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:
www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Chair: Thuy Huynh

Committee Members: Elizabeth Lee
Janna Sidley

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq*. More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

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CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

II. APPROVAL OF MINUTES FOR THE MEETING OF JULY 11, 2023 AND POSSIBLE COMMITTEE ACTION

III. PRESENTATION OF LACERS' AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023 BY EXTERNAL AUDITOR MOSS ADAMS LLP AND POSSIBLE COMMITTEE ACTION

IV. OTHER BUSINESS

V. NEXT MEETING: The next Audit Committee Meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.

VI. ADJOURNMENT

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

SPECIAL MEETING **TUESDAY, DECEMBER 12, 2023** **TIME: 9:30 A.M.** **MEETING LOCATION:** LACERS Boardroom 977 N. Broadway Los Angeles, California 90012	President: Annie Chao Vice President: Sung Won Sohn Commissioners: Thuy Huynh, Elizabeth Lee, Gaylord "Rusty" Roten, Janna Sidley, Michael R. Wilkinson Manager-Secretary: Neil M. Guglielmo Executive Assistant: Ani Ghoukassian Legal Counsel: City Attorney's Office Public Pensions General Counsel Division

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VI. ADJOURNMENT

Agenda of:	Dec. 12, 2023
Item No:	II

MINUTES OF THE REGULAR MEETING
AUDIT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

July 11, 2023

9:30 a.m.

PRESENT:	Chair:	Annie Chao
	Committee Members:	Thuy Huynh Elizabeth Lee
	Legal Counselor:	Joshua Geller
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Chao asked if there were any public comments on matters within the Committee's jurisdiction, to which there were no public comment cards received.

II

APPROVAL OF MINUTES FOR THE MEETING OF JULY 19, 2022 POSSIBLE COMMITTEE ACTION – Committee Member Huynh moved approval, and adopted by the following vote: Ayes, Committee Members Huynh, Lee, and Chair Chao -3; Nays, None.

III

IMPLEMENTATION PLAN TO ADDRESS RECOMMENDATIONS CONTAINED IN GRANT THORNTON'S 2022 AUDIT OF LACERS' RETIREMENT BENEFIT SYSTEM APPLICATION (PGOLDV3) AND POSSIBLE COMMITTEE ACTION – Melani Rejuso, Departmental Audit Manager, presented and discussed this item with the Committee for 10 minutes. Committee Member Huynh moved approval, and adopted by the following vote: Ayes, Committee Members Huynh, Lee, and Chair Chao -3; Nays, None.

IV

OTHER BUSINESS – There was no other business.

V

NEXT MEETING: The next Audit Committee Meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.

VI

ADJOURNMENT – There being no further business before the Committee, Chair Chao adjourned the meeting at 9:40 a.m.

Annie Chao
Chair

Neil M. Guglielmo
Manager-Secretary

REPORT TO AUDIT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: DECEMBER 12, 2023
ITEM: III

SUBJECT: **PRESENTATION OF LACERS' AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023 BY EXTERNAL AUDITOR, MOSS ADAMS LLP AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Audit Committee review and approve the audited financial statements for fiscal year ended June 30, 2023.

Executive Summary

Moss Adams LLP (Moss Adams) completed the audit of LACERS' financial statements for fiscal year ended June 30, 2023 and issued an unmodified (clean) opinion signifying that the financial statements present fairly, in all material respects, LACERS' fiduciary net position and changes in fiduciary net position. The audit was conducted in conformity with accounting principles generally accepted in the United States of America.

Moss Adams' Engagement Partner, Kory Hoggan and Audit Manager, Aaron Hamilton will present their audit process and results to the Board.

Discussion

Aside from rendering their opinion on LACERS' financial statements for Retirement Plan and Post Employment Health Care Plan as of June 30, 2023, Moss Adams also issued and/or will issue the following reports:

1. Report on internal controls over financial reporting and compliance and other matters in accordance with Government Auditing Standards, dated December x, 2023. No material weaknesses noted.
2. Audited report on LACERS Schedules of Allocations and Pension Amounts by Employers (*i.e., City, Airports, and Harbor*) for the fiscal year ended June 30, 2022, issued on August 30, 2023. No material weaknesses noted.
3. Audit report on Annual Comprehensive Financial Report, to be issued in December 2023.

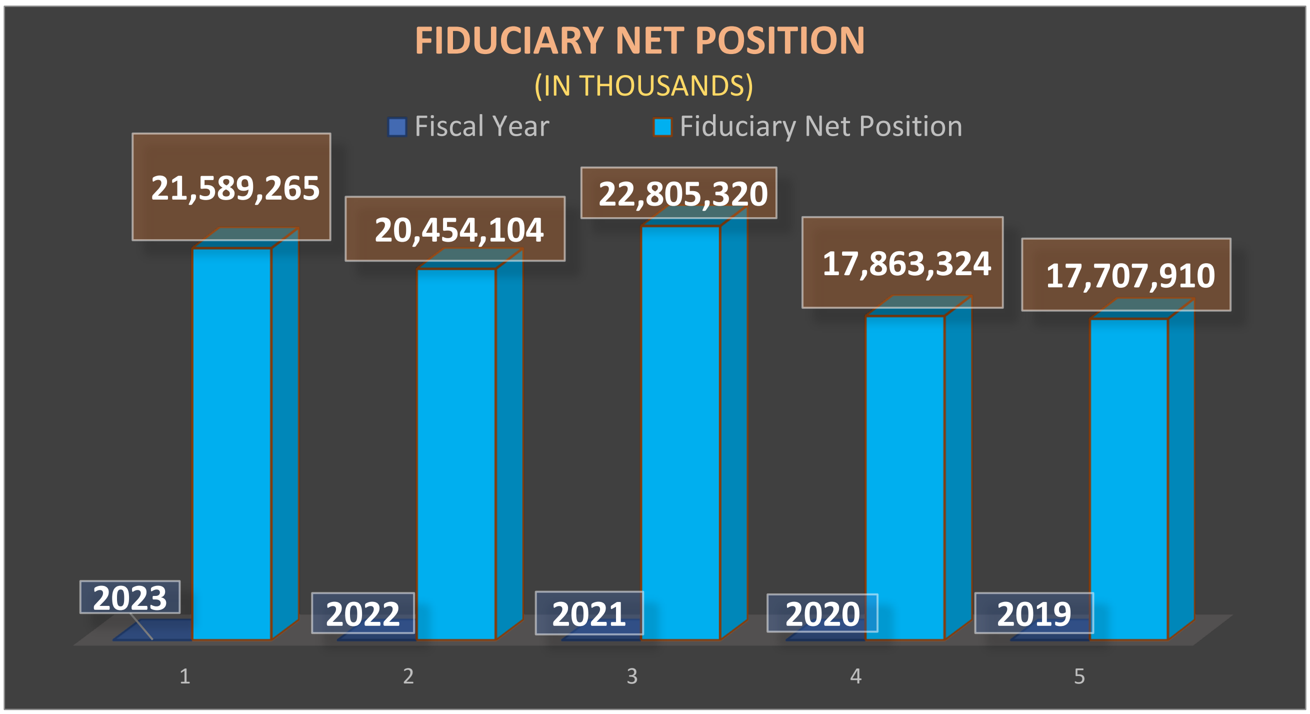
Financial Highlights

The following are highlights from LACERS' audited financial statements as of June 30, 2023:

A. Fiduciary Net Position (FNP) increased by $1.14 bn (5.5%) over last fiscal year's balance, resulting from outstanding investment returns during the reported period. To date, this balance was the second highest in LACERS history and signifies that the Plan remains well-funded to guarantee retirement security for its members. See **Chart A** below.

   Items B (**Additions or Sources of Funds**) and C (**Deductions or Uses of Funds**) below explain the contributing factors to the FNP balance for fiscal year 2022-2023.

Chart A



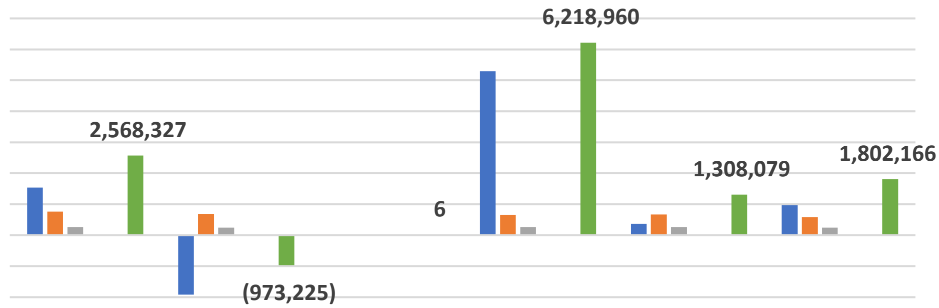
B. Total additions (sources of funds) to FNP increased over the last fiscal year, primarily due to investment gains from positive market performance during the fiscal year. Coming from a year of record lows, the public markets turned around and posted an impressive income improving the year-end FNP. Another contributing factor to FNP is the increase in both the City and Employees contributions.

   It is also noteworthy that LACERS outperformed its' benchmark of 5.78% and experienced a gross return of 6.93% (*or net of 6.77%*), stemming from a remarkable market success, coupled with LACERS strategic asset allocation policy that promotes diversification across various classes of assets. See **Chart B** below.

   The investment income shown in the graph below is net of investment management fees and investment related administrative expenses.

Chart B

Additions to LACERS Fiduciary Net Position (in thousands)

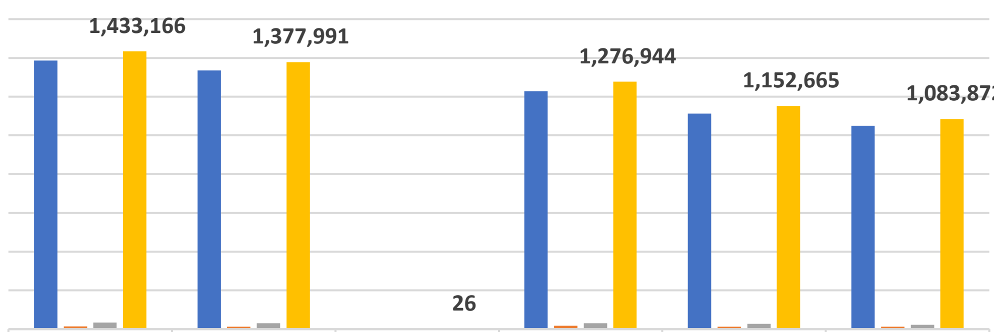


	2023	2022	2021 Adj GASB 87	2021	2020	2019
Investment Income	1,533,998	(1,916,529)		5,288,787	365,492	968,497
City Contributions	760,019	682,928		658,408	665,358	586,754
Member Contributions	259,977	245,879		259,285	263,936	240,357
Health Prem. & Reserve	14,232	14,460		11,843	12,501	6,558
Building Lease & Other Income	101	37	6	637	792	
Total	2,568,327	(973,225)	6	6,218,960	1,308,079	1,802,166

C. Total Deductions (uses of funds) was reported higher over prior fiscal year primarily due to increase in benefits paid resulting from the upward change in the number of new retirees with higher benefit allowance and adjustments for COLA. Also, there was an increase in administrative expenses attributable to actives cost of living adjustments and one-time cash payments. Lastly, the building operating expenses also went up attributable to April 2023 move-in costs and recognition of building depreciation expenses. See **Chart C below**

Chart C

Deductions from LACERS Fiduciary Net Position (in thousands)



	2023	2022	2021 Prior Pd. Adj	2021	2020	2019
Benefit Payments	1,385,477	1,335,124		1,228,276	1,112,911	1,049,283
Refund of Contributions	14,397	11,630		17,584	12,332	11,684
Administrative Expenses	33,292	31,237	26	31,084	27,422	22,905
Total	1,433,166	1,377,991	26	1,276,944	1,152,665	1,083,872

D. Retirement Plan's Funded Ratio remains high at 71%. Notwithstanding the increase in Total Retirement Pension Liability, the funded ratio (using market value) slightly improved because of the growth in value of investment assets (**Chart D**). However, the same was not true for Net Pension Liability. The increase in total pension liability outweighed the growth in assets, causing the Net Pension Liability (**NPL**) to rise from prior FY.

The total pension liability went up following unfavorable investment experience, higher than expected salary increases for actives and COLA increases for payees, which were somewhat offset by greater than expected actual City and Employees contributions, and newly adopted actuarial assumptions. **Chart E** below shows NPL trends from 2019 to 2023.

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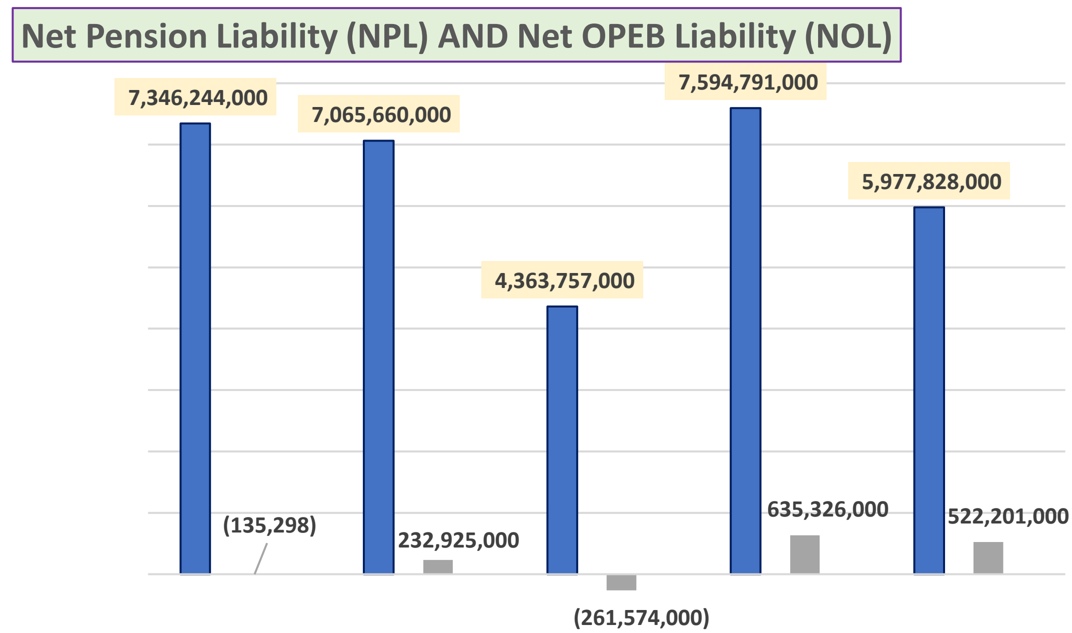
Chart D

RETIREMENT PLAN'S FUNDED RATIO	2023	2022	Explanation
Funded Ratio is calculated **using Market Value of Assets MVA** (value in the market exchange) over Actuarial Accrued Liability **AAL**	70.96%	70.66%	This Funded Ratio is what's reported in LACERS Financial Statements per GASB requirement; The funding ratio is based on the Market Value of Assets and are not smoothed out. This usually shows higher funding ratio because gains and losses are not smoothed out. *(Except when there are more losses than gains*). **MVA/AAL=70.96% or 71% or** **FNP/TPL = 70.96% or 71% (as shown in FS and ACFR)**
Funded Ratio is calculated using Valuation Value of Assets **VVA** (values are smoothed out **)** over Actuarial Accrued Liability **AAL.**	73.1%	73.3%	This Ratio is calculated using the actuarial value of assets also known as Valuation Value of Assets (VVA); This funded ratio usually brings lower funded ratio because gains/losses are smoothed out over 7 years to even out short-term market fluctuations. *(Except when there are more losses than gains to spread out).* Also, the ratio using VVA is used for funding purposes by the Actuary. To show how the smoothed-out assets are calculated: - VVA = MVA **add** Deferred Losses **less** Deferred Gains **VVA/AAL= 73.1%**

E. Other Post-Employment Benefits (OPEB) or Health Plan was well funded at 104%. Because of the increase in market value of assets during the reported year, the Health Funded Ratio even went higher to show more assets than liabilities (**NOL**). Another contributing factor for the improved OPEB funded ratio was the decrease in Total OPEB Liability. The health claims estimates and subsidy levels were overall lower than expected, savings produced by Medicare Plan Premium, adoption of new assumptions, and the overall impact of the updated trend assumptions. All these contributed to the decrease in Total OPEB Liability. **Chart E** shows NOL trends from 2019-2023.

Chart E



	2023	2022	2021	2020	2019
Net Pension Liability (NPL)	7,346,244,000	7,065,660,000	4,363,757,000	7,594,791,000	5,977,828,000
Ratio of FNP over TPL	71%	71%	81%	66%	71%
Net OPEB Liability (NOL)	(135,298)	232,925,000	(261,574,000)	635,326,000	522,201,000
Ratio of FNP over TOL	104%	94%	107%	82%	84%

F. The funded ratios shown in **Chart E** above were based on market values of assets. These ratios were calculated by getting the percentage of Fiduciary Net Position over Total Pension Liability or Market Value of Assets over Actuarial Accrued Liability. To show:

Total Pension Liability=	$25,299,537,000	
Less: Fiduciary Net Position=	17,953,293,000	excludes FDBP & Larger Annuity
Net Pension Liability=	$7,346,244,000	

Retirement Funded Ratio 70.96% or **71%**= $\frac{\$17,953,293,000}{\$25,299,537,000}$

Total OPEB Liability=	$3,405,088,000
Less: Fiduciary Net Position=	3,540,386,000
Net OPEB Liability=	($135,298,000)

OPEB Funded Ratio 103.9% or **104%**= $\frac{\$3,540,386,000}{\$3,405,088,000}$

(note: FDBP=$68,284,000, Larger Annuity= $18,515,000 & Larger Annuity Contrib= $8,787,000)

Strategic Alignment

Discussion of the Plan's financial results is consistent with the Board's Governance Goal to "uphold good governance practices which affirm transparency, accountability and fiduciary duty."

Fiscal Impact Statement

LACERS' audited financial statements provide relevant information about LACERS' financial position and results of operations for the fiscal year ended (FY2022-2023) to help the Board, the Management, and other stakeholders make sound and informed decisions.

Prepared By: Maria Melani Rejuso, Departmental Audit Manager

NMG/MFR

Attachments: 1. Moss Adams, LLP Presentation Report
2. LACERS Audited Financial Statements for FYE June 30, 2023
3. Report on Internal Controls over Financial Reporting- GAGAS IC Report

Committee Meeting 12/12/2023
Item III
Attachment 1

Moss Adams

Los Angeles City Employees' Retirement System

Presentation to the Audit Committee
December 12, 2023

Your Audit Team

Kory Hoggan, CPA
Engagement Partner
kory.hoggan@mossadams.com

Laurie Tish, CPA
Concurring Partner

Aaron Hamilton, CPA
Senior Manager - Investments, Actuarial Measurements, Employer Allocation Audit
aaron.hamilton@mossadams.com

Kelly Jones, CPA
Senior Manager - Contributions, Benefit Payments, Other Assets

Issued Reports

We issued or will issue the following reports for the year ended June 30, 2023

- Audit report on the financial statements
- Report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*
- Audit report on the financial statements of 977 North Broadway Building
- Audit report on the annual comprehensive financial report
- Audit reports on schedules of employer allocations and pension/OPES amounts by employer for measurement year ended June 30, 2022 (issued August 2023)

Unmodified Opinions

Financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America

No material weaknesses or significant deficiencies reported

Financial Highlights - Retirement Plan

(in thousands)	2023	2022	2021
Plan fiduciary net position			
Employer contributions	$ 669,438	$ 591,305	$ 554,954
Member contributions	259,977	241,879	259,285
Net investment income (loss)	1,265,098	(1,555,222)	4,305,990
Other	82	30	519
Administrative expense	(25,758)	(24,282)	(24,264)
Benefit payments and refunds	(1,226,291)	(1,175,049)	(1,084,915)
Net change in plan fiduciary net position	$ 942,546	$ (1,921,339)	$ 4,011,569
Plan net pension liability			
Total pension liability (a)	$ 25,299,537	$ 24,078,751	$ 23,281,893
Less plan fiduciary net position (b)	17,955,637	17,013,091	18,918,136
Net pension liability (a) - (b)	**$ 7,343,900**	**$ 7,065,660**	**$ 4,363,757**
Funded status (b) / (a)	**71.0%**	**70.7%**	**81.3%**

Financial Highlights - OPEB Plan

(in thousands)	2023	2022	2021
Plan fiduciary net position			
Employer contributions	$ 90,581	$ 91,623	$ 103,454
Self funded premiums	14,232	14,460	11,843
Net investment income (loss)	268,900	(361,307)	982,797
Other	19	7	118
Administrative expense	(7,534)	(6,955)	(6,820)
Benefit payments	(173,583)	(171,705)	(160,945)
Net change in plan fiduciary net position	192,615	(433,877)	930,447
Plan net OPEB liability			
Total OPEB liability (a)	$ 3,405,088	$ 3,580,696	$ 3,520,078
Less plan fiduciary net position (b)	3,540,386	3,347,771	3,781,652
Net OPEB (asset) liability (a) - (b)	**$ (135,298)**	**$ 232,925**	**$ (261,574)**
Funded status (b) / (a)	**104.0%**	**93.5%**	**107.4%**

Areas of Audit Emphasis

INTERNAL CONTROLS

- Investments (authorization and monitoring)
- Contributions (employer and member)
- Benefit payments
- Financial reporting
- IT systems

ANALYTICAL PROCEDURES

- Investment earnings
- Benefits payments
- Expenses
- Trends, comparisons, and expectations

SUBSTANTIVE PROCEDURES

- Investment (valuation and confirmations)
- Contributions
- Benefit payments
- Actuarial assumptions and measurements
- Representations from legal counsel and management

Alternative Investment Testing

Assess risk related to alternative investments

- Discussions with LAGERS alternative investment managers
- Tests over financial close and reporting, due diligence and ongoing monitoring controls

Select investments to confirm

- Approximately $6.6 billion in alternative investments
- Selection based on risk assessment, investment balance, and life of investment

Test alternative investments

- Confirmed 34 funds
- Performed other procedures on the remainder of the funds
- Test adjustment to fair value made by management

Required Communications

- Significant accounting policies are summarized in Note 1 to financial statements
- Financial statement disclosures are consistent, clear and understandable
- Written and oral representations received from management
- No audit adjustments
- No uncorrected misstatements noted
- No disagreements with management

Required Communications

- Significant accounting policies summarized in Note 1 to financial statements
- No audit adjustments noted in the audit of LAGERS and the 977 North Broadway Building Fund for year ended June 30, 2023
- GASB No. 96 *Subscription-based information technology arrangements* was implemented during 2023
- Consideration of fraud in a financial statement audit

  ► Procedures performed included journal entry testing and interviews of personnel

- Moss Adams is independent with respect to LAGERS and City of Los Angeles

- Audit performed within the scope and timeline discussed during audit planning

- Attitude from management and staff was one of helpfulness, candor and openness in response to audit requests and discussion points

THANK YOU

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Table of Contents

MOSSADAMS

Report of Independent Auditors

Board of Administration
Los Angeles City Employees' Retirement System

Report on the Audit of the Financial Statements

Opinions

DRAFT
No Assurance Provided

We have audited the accompanying financial statements of the retirement plan and the postemployment health care plan of Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LACERS' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the retirement plan and the postemployment health care plan of Los Angeles City Employees' Retirement System as of June 30, 2023, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements of Los Angeles City Employees' Retirement System present the fiduciary net position and changes in fiduciary net position of the Municipality of the City of Los Angeles, California, that are attributable to the transactions of LACERS. The financial statements do not present fairly the financial position of the entire Municipality of the City of Los Angeles, California, as of June 30, 2023, the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

DRAFT
No Assurance Provided

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Prior-Year Comparative Information

We have previously audited LACER's 2022 financial statements, and we expressed unmodified opinions on the retirement plan and the postemployment health care plan in our report dated December 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis; the retirement plan's schedule of net pension liability, schedule of changes in net pension liability and related ratios, schedule of contribution history, and schedule of investment returns; and the postemployment health care plan's schedule of net OPEB liability, schedule of changes in net OPEB liability and related ratios, schedule of contribution history, and schedule of investment returns (collectively, the required supplementary information) be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

DRAFT
No Assurance Provided

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Los Angeles City Employees' Retirement System's basic financial statements. The schedule of additions of deductions to fiduciary net position, schedule of administrative expenses, and schedule of investment fees and expenses (collectively, the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December _, 2023, on our consideration of Los Angeles City Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Los Angeles City Employees' Retirement System 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Angeles City Employees' Retirement System's internal control over financial reporting and compliance.

El Segundo, California
December _, 2023

DRAFT
No Assurance Provided

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2023 was $21,589,265,000, an increase of $1,135,161,000 or 5.5% year-over-year.

- The total additions to the fiduciary net position of LACERS from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded insurance premium, Members' portion of premium reserve, building lease and other income, and net investment income were $2,568,327,000 a 363.9% increase from the prior fiscal year.

- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67*, Financial Reporting for Pension Plans,* and No. 68, *Accounting and Financial Reporting for Pensions.*

- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

- The total deductions from the fiduciary net position were $1,433,166,000, a 4.0% increase year-over-year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.

- The System's Net Pension Liability (NPL) for the Retirement Plan was $7,346,244,000 as of June 30, 2023. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position is equal to the fair value of the plan's assets, NPL is determined on a fair value basis. Compared with the previous fiscal year, the NPL increased by $280,584,000.

- The System's Net Other Postemployment Benefits (OPEB) Plan Asset for the postemployment health care benefits was $135,298,000 as of June 30, 2023. Net OPEB Liability is a measure required by GASB Statement No. 74. Net OPEB Liability is determined on a fair value basis and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position. As of June 30, 2023, the plan fiduciary net position exceeded the TOL resulting in a surplus or Net OPEB Asset. Compared with the previous fiscal year, the Net OPEB Liability decreased by $368,223,000.

- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 71.0%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the retirement benefits.

- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 104.0%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

Management’s Discussion and Analysis

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data on LACERS operations.

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 14 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 15 provides a view of current year additions to, and deductions from, the fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 16 – 46 of this report.

Required Supplementary Information

In addition to the Management’s Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Retirement Plan, and the Schedule of Net OPEB (Asset) Liability, Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 47 - 58 of this report.

Supplemental Schedules

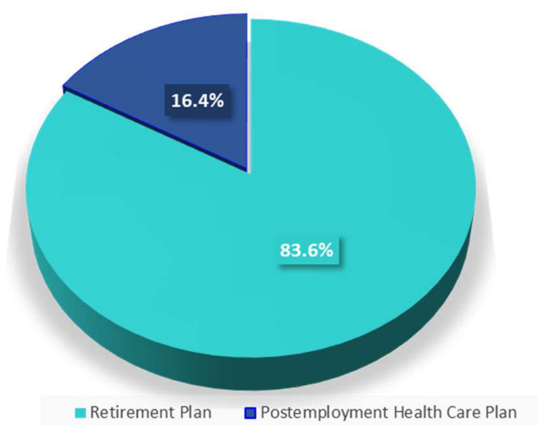
The supplemental schedules, including a Schedule of Additions and Deductions to Fiduciary Net Position for Postemployment Health Care Plan, Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 59 and 61 of this report.

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2023 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$ 18,048,879	83.6%
Postemployment Health Care Plan	3,540,386	16.4
Fiduciary Net Position	$ 21,589,265	100.0%



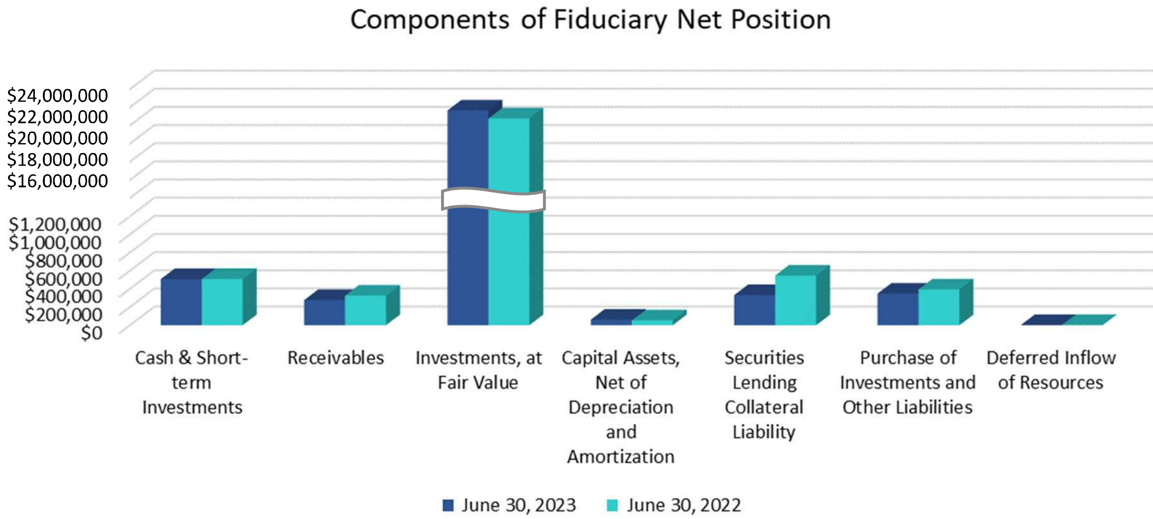
Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2023 and 2022 (dollars in thousands):

	June 30, 2023	June 30, 2022	Change	
Cash and Short-Term Investments	$ 427,788	$ 428,387	$ (599)	(0.1) %
Receivables	195,865	225,716	(29,851)	(13.2)
Investments, at Fair Value	21,363,996	20,576,788	787,208	3.8
Capital Assets, Net of Depreciation and Amortization	60,727	53,305	7,422	13.9
Total Assets	22,048,376	21,284,196	764,180	3.6
Securities Lending Collateral Liability	210,806	515,988	(305,182)	(59.1)
Purchase of Investments and Other Liabilities	247,544	313,533	(65,989)	(21.0)
Total Liabilities	458,350	829,521	(371,171)	(44.7)
Deferred Inflow of Resources	761	571	190	33.3
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 21,589,265	$ 20,454,104	$ 1,135,161	5.5 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, real estate, private equity and other asset classes. Fiduciary net position increased by $1,135,161,000 or 5.5%, during this fiscal year.

Net Increase (Decrease) in Fiduciary Net Position

The increase (decrease) in fiduciary net position was the net effect of factors that either added to or deducted from the fiduciary net position. The following table summarizes the changes in fiduciary net position during the report year, as compared with the prior year (dollars in thousands):

	June 30, 2023	June 30, 2022	Change	
Additions	$ 2,568,327	$ (973,225)	$ 3,541,552	363.9 %
Deductions	1,433,166	1,377,991	55,175	4.0
Net Increase (Decrease) in Fiduciary Net Position	1,135,161	(2,351,216)	3,486,377	148.3
Fiduciary Net Position Beginning of Year	20,454,104	22,805,320	(2,351,216)	(10.3)
End of Year	$ 21,589,265	$ 20,454,104	$ 1,135,161	5.5 %

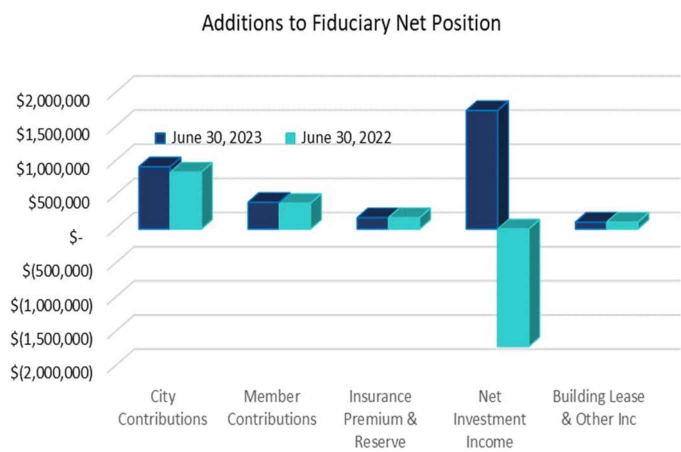
Management's Discussion and Analysis

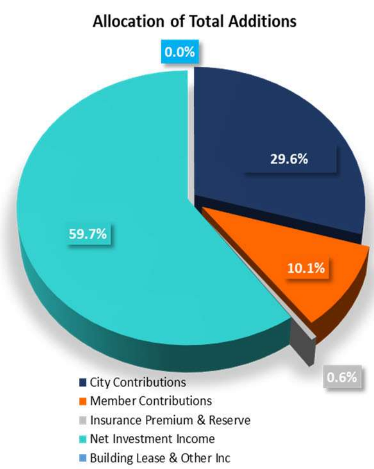
Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Additions to Fiduciary Net Position

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2023 and 2022 (dollars in thousands):

	June 30, 2023	June 30, 2022	Change
City Contributions	$ 760,019	$ 682,928	11.3 %
Member Contributions	259,977	245,879	5.7
Health Insurance Premium and Reserve	14,232	14,460	(1.6)
Net Investment Income (Loss)	1,533,998	(1,916,529)	180.0
Building Lease & Other Income	101	37	173.0
Additions to Fiduciary Net Position	$ 2,568,327	$ (973,225)	363.9 %





The additions to LACERS fiduciary net position that primarily constitute the funding sources of LACERS benefits are City Contributions, Member Contributions, Health Insurance Premium and Reserve, and Net Investment Income (Loss).

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were $760,019,000 during the fiscal year. The total contributions increased by $77,091,000 or 11.3% higher than the prior fiscal year, mainly due to the higher contribution rates and payroll base (approximately 7.1% increase in payroll) for the reporting year. The total City contributions include a $81,477,000 true-up credit adjustment, a reduction from the City's contribution payment, to reconcile the difference of the City's contributions based on projected payroll against actual payroll. This true-up amount, which includes accrued interest at 7.00%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 32.94% (29.01% for the Retirement Plan and 3.93% for the Postemployment Health Care Plan), which is 1.25% higher than the prior fiscal year at 31.69%. Actual contribution of $669,391,000 to the Retirement Plan was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. Actual contribution of $90,581,000 to the Postemployment Health Care Plan was equal to 100% of the ADC, as defined by GASB Statement No. 74.

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Additions to Fiduciary Net Position (Continued)

In fiscal year 2022-23, Member contributions were $259,977,000, which was $14,098,000 or 5.7% higher than the prior fiscal year. The increase in Member contributions was primarily due to the increased number of Members and increased in salary base during the fiscal year.

LACERS Postemployment Health Care 115 Trust fund recognized revenue of $12,809,000 representing monthly dental insurance premium under the Delta Dental PPO and Anthem Vision self-funded plans and $1,423,000 of Member's portion from health insurance premium reserve.

The net investment income was $1,533,998,000, which included $1,181,447,000 of net appreciation in the fair value of investments. The details are discussed in the next section.

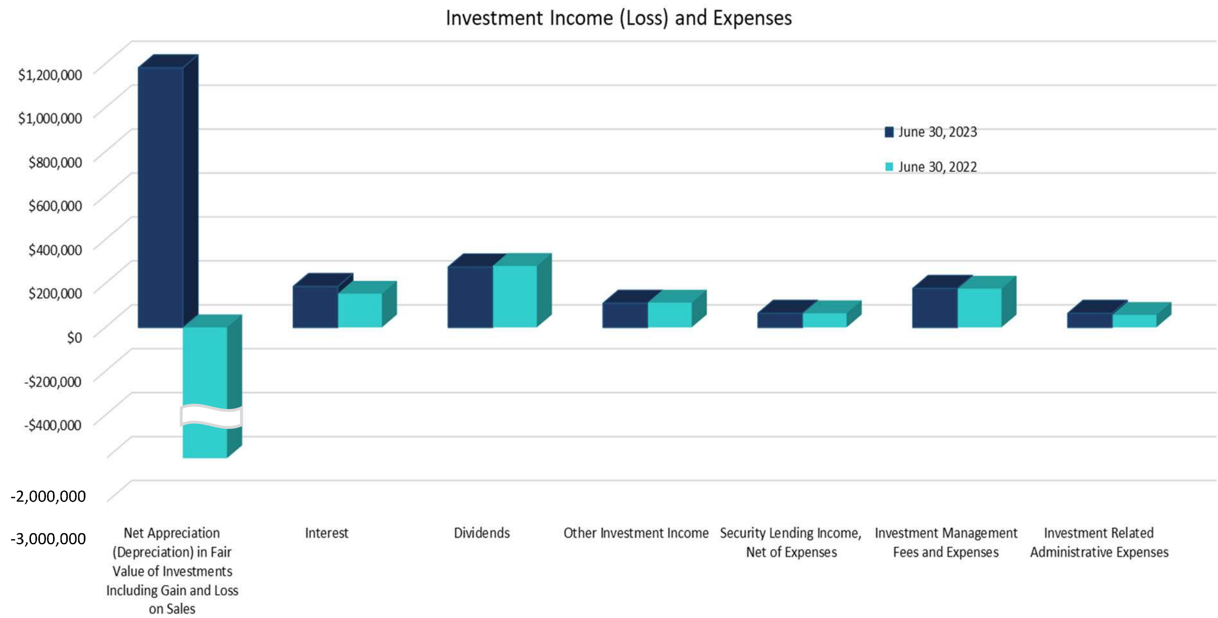
Investment Income (Loss)

The following table and graph present the detail of investment income (loss), net of investment management fees and expenses for the fiscal years ended June 30, 2023 and 2022 (dollars in thousands)

	June 30, 2023	June 30, 2022	Change
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	$ 1,181,447	$ (2,245,698)	152.6 %
Interest	185,777	152,971	21.4
Dividends	224,315	229,455	(2.2)
Other Investment Income	69,508	72,597	(4.3)
Securities Lending Income, Net of Expense	3,727	3,891	(4.2)
Sub-Total	1,664,774	(1,786,784)	193.2
Less: Investment Management Fees and Expenses	(127,066)	(126,174)	0.7
Investment Related Administrative Expenses	(3,710)	(3,571)	3.9
Net Investment Income (Loss)	$ 1,533,998	$ (1,916,529)	180.0 %

Financial Analysis (Continued)

Investment Income (Loss) (Continued)



The net investment income for the current fiscal year was $1,533,998,000, as compared with the loss of $1,916,529,000 for the previous fiscal year. This increase was due primarily to a net appreciation in the fair value of investments of $1,181,447,000, compared with the previous fiscal year's decrease of $2,245,698,000. This increase in the fair value of investments is attributed to a rise in the public equity markets following negative returns in the previous fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 19.0% compared with -13.9% for the previous fiscal year. The MSCI All Country World ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, returned 12.7% compared with -19.4% for the previous year. Fixed income markets, as represented by the Bloomberg U.S. Aggregate Bond Index, returned -0.9% compared with -10.3% for the previous year.

Interest income derived from fixed income securities increased by 21.4% or $32,806,000. The average coupon rate of LACERS' fixed income portfolio increased as the Federal Reserve took action to address inflation by increasing the fed funds rate. Dividend income derived from public equities decreased by 2.2% or $5,140,000 as public companies reassessed dividend payouts in favor of reinvesting back into internal growth prospects.

Other investment income, primarily derived from private equity and private real estate partnership investments, decreased by 4.3%, or $3,089,000 as private market managers took a more cautious approach on exit opportunities.

LACERS earns additional investment income by lending its securities to borrowers through its custodian bank. To earn income for LACERS, the custodian bank invests cash collateral pledged by borrowers on behalf of LACERS in short-term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the current fiscal year, securities lending income (net of expense) decreased by 4.2%, or $164,000 from a year ago.

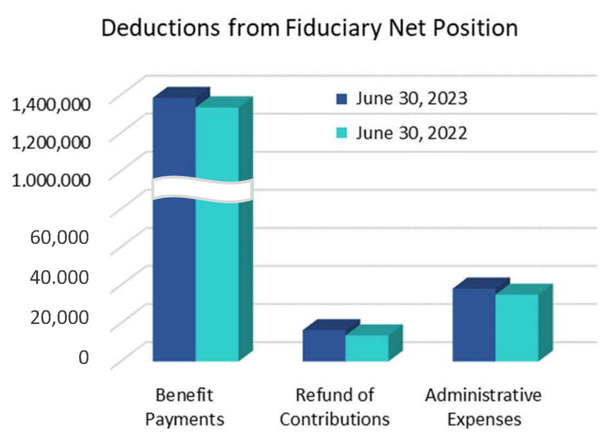
Total investment management fees, expenses, and investment related administrative expenses increased by 0.8% or $1,031,000, from the prior year. This increase corresponded with an increase in LACERS' exposure to private equity and private real estate, which is consistent with LACERS' current target asset allocation and strategic plan to increase returns.

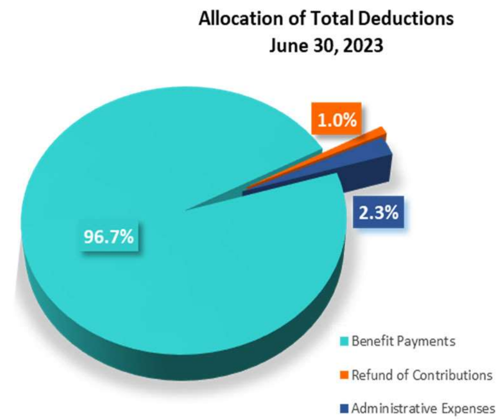
Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position

The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2023 and 2022 (dollars in thousands):

	June 30, 2023	June 30, 2022	Change
Benefit Payments	$ 1,385,477	$ 1,335,124	3.8%
Refunds of Contributions	14,397	11,630	23.8
Administrative Expenses	33,292	31,237	6.6
Deductions from Fiduciary Net Position	$ 1,433,166	$ 1,377,991	4.0%





LACERS' deductions from fiduciary net position in this reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $55,175,000 or 4.0% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by $50,353,000 or 3.8%. The benefit payments for the Retirement Plan increased by $48,500,000 or 4.2% mainly due to the annual cost of living adjustments (approximately 3.0% increase on average); slight increase in the number of retirees and beneficiaries; and higher average retirement allowance of newly retired Members as compared to those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits increased by $1,878,000 or 1.1%. This increase was mainly due to the increased reimbursement of Medicare Part B premium and self-funded insurance claims paid for the self-funded plans offset by a small decrease in healthcare cost due to the slight decrease in number of retirees and their dependents eligible for medical subsidy.

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position (Continued)

The Refunds of Member contributions increased by $2,767,000 or 23.8% from the prior fiscal year's $11,630,000, mainly due to the increase in refunds to Members leaving the City service and refunds of unused annuity to beneficiaries of deceased retired members.

LACERS' administrative expenses increased by $2,055,000 or 6.6% from the prior fiscal year. The increase was mainly due to higher personnel costs as a result of mandatory cost of living adjustment salary increased including one-time cash payouts in accordance with the City's negotiated salary contracts and increased employee benefit and associated pension costs. Additionally, on April 2023, as LACERS moved and occupied its new Headquarter building purchased in October 2019, increased building operating expenses were incurred, and depreciation expense started to be recognized for the capitalized building and improvement.

Requests for Information

This financial report is designed to provide a general overview of LACERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Division
PO Box 512218
Los Angeles, CA 90051-0218

BASIC FINANCIAL STATEMENT

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2023, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2023	2022
Assets				
Cash and Short-Term Investments	$ 357,636	$ 70,152	$ 427,788	$ 428,387
Receivables				
Accrued Investment Income	74,593	14,632	89,225	79,684
Proceeds from Sales of Investments	78,567	15,411	93,978	135,169
Other	10,585	2,077	12,662	10,863
Total Receivables	163,745	32,120	195,865	225,716
Investments, at Fair Value				
US Government Obligations	1,375,416	269,795	1,645,211	1,869,382
Municipal Bonds	12,071	2,368	14,439	14,904
Domestic Corporate Bonds	746,441	146,418	892,859	917,227
International Bonds	884,175	173,436	1,057,611	963,270
Other Fixed Income	597,234	117,151	714,385	798,218
Bank Loans	87,803	17,223	105,026	87,969
Opportunistic Debts	392,553	77,001	469,554	356,856
Domestic Stocks	4,679,367	917,884	5,597,251	5,214,050
International Stocks	3,808,020	746,964	4,554,984	4,288,111
Mortgages	564,991	110,826	675,817	577,576
Government Agencies	9,289	1,822	11,111	11,313
Derivative Instruments	(1,576)	(310)	(1,886)	(1,252)
Real Estate	1,055,373	207,017	1,262,390	1,161,179
Private Equity	3,473,159	681,279	4,154,438	3,801,997
Security Lending Collateral	176,236	34,570	210,806	515,988
Total Investments	17,860,552	3,503,444	21,363,996	20,576,788
Capital Assets (Net of Depreciation and Amortization)	50,768	9,959	60,727	53,305
Total Assets	**18,432,701**	**3,615,675**	**22,048,376**	**21,284,196**
Liabilities				
Accounts Payable and Accrued Expenses	(78,305)	(15,360)	(93,665)	(88,838)
Accrued Investment Expense	(7,373)	(1,446)	(8,819)	(19,982)
Purchases of Investments	(121,272)	(23,788)	(145,060)	(204,713)
Security Lending Collateral	(176,236)	(34,570)	(210,806)	(515,988)
Total Liabilities	**(383,186)**	**(75,164)**	**(458,350)**	**(829,521)**
Deferred Inflow of Resources	**(636)**	**(125)**	**(761)**	**(571)**
Net Position Restricted For Pensions	18,048,879		18,048,879	17,106,333
Net Position Restricted For Postemployment Health Care Benefits		3,540,386	3,540,386	3,347,771
Total Fiduciary Net Position	**$ 18,048,879**	**$ 3,540,386**	**$ 21,589,265**	**$ 20,454,104**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2023, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2023	2022
Additions				
Contributions				
City Contributions	$ 669,438	$ 90,581	$ 760,019	$ 682,928
Member Contributions	259,977	-	259,977	245,879
Total Contributions	929,415	90,581	1,019,996	928,807
Self Funded Insurance Premium	-	12,809	12,809	13,280
Health Insurance Premium Reserve	-	1,423	1,423	1,180
Investment Income (Loss)				
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	960,978	220,469	1,181,447	(2,245,698)
Interest	157,772	28,005	185,777	152,971
Dividends	190,501	33,814	224,315	229,455
Other Investment Income	59,030	10,478	69,508	72,597
Security Lending Income	3,723	661	4,384	4,577
Less: Security Lending Expense	(534)	(123)	(657)	(686)
Sub-total	1,371,470	293,304	1,664,774	(1,786,784)
Less: Investment Management Fees and Expenses	(103,354)	(23,712)	(127,066)	(126,174)
Investment Related Administrative Expenses	(3,018)	(692)	(3,710)	(3,571)
Net Investment Income (Loss)	1,265,098	268,900	1,533,998	(1,916,529)
Building Lease and Other Income	82	19	101	37
Total Additions	**2,194,595**	**373,732**	**2,568,327**	**(973,225)**
Deductions				
Benefit Payments	(1,211,894)	(173,583)	(1,385,477)	(1,335,124)
Refunds of Contributions	(14,397)	-	(14,397)	(11,630)
Administrative Expenses	(25,758)	(7,534)	(33,292)	(31,237)
Total Deductions	**(1,252,049)**	**(181,117)**	**(1,433,166)**	**(1,377,991)**
Net Increase (Decrease) in Fiduciary Net Position	942,546	192,615	1,135,161	(2,351,216)
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits				
Beginning of year	17,106,333	3,347,771	20,454,104	22,805,320
End of year	**$ 18,048,879**	**$ 3,540,386**	**$ 21,589,265**	**$ 20,454,104**

The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

Note 1. Description of LACERS and Significant Accounting Policies

General Description

The Los Angeles City Employees' Retirement System (LACERS or the System) is under the exclusive management and control of its Board of Administration (the Board), whose authority is granted by statute in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. The Board has seven members. Four members, one of whom shall be a retired Member of the System, shall be appointed by the Mayor subject to the approval of the City Council. Two members shall be active employee Members of the System elected by active employee Members. One shall be a retired Member of the System elected by retired Members of the System. Elected Board members serve five-year terms in office, with no term limits. The System is a component unit of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles Annual Comprehensive Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 21 - 33 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP) as outlined by the Governmental Accounting Standards Board (GASB). The financial statements are maintained on the accrual basis of accounting. Contributions from the employer and Members were recognized when due pursuant to formal commitments and contractual requirements. Benefits, refunds, and other expenses are recognized when due and payable. The accompanying financial statements include information from the prior year summarized for comparative purpose only. Such information does not include sufficient detail to constitute a presentation in accordance with US GAAP.

Investments

Investment policies

Funds of the System are invested pursuant to the System's investment policy, established by the Board, in compliance with Article XI Section 1106(d) of the City Charter. The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The System's investment portfolio is composed of domestic and international equities, domestic and international bonds, bank loans, derivative instruments, real assets, private credit, private equity, and short-term investments. During the reporting period, there were no significant investment policy changes.

As of June 30, 2023, the Board's target asset allocation policy was as follows:

Asset Class	Target Allocation
Domestic and International Equities	47.00%
Domestic and International Bonds	11.25
Private Equity	16.00
Real Assets	12.00
Short-Term Investments	1.00
Credit Opportunities	12.75
Total	100.00%

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Fair Value of Investments

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, stocks, and private equities are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with industry practice. The fair value determined as such is also reviewed and evaluated by the Board's real estate consultant. The private equity funds ("partnership investment"), which are managed by third party investment managers, are valued on a quarterly and/or annual basis at their net asset value as reported by the investment managers under US GAAP. US GAAP requires that assets be reported at fair value in accordance with GASB Statement No. 72 – *Fair Value Measurement and Application.* The fair values of derivative instruments are determined using available market information.

Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. LACERS investment strategy, as it relates to the debt portfolio, is mainly to achieve market appreciation and not to hold bonds to their maturities.

The provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*, require investments to be measured at fair value as well as to classify the inputs used to determine fair value based on a three-level fair value hierarchy.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Fiduciary Net Position under Receivables and labeled as Proceeds from Sales of Investments and amounts payable for purchases are reported under Liabilities and labeled as Purchases of Investments. Dividend income is recorded on the ex-dividend date. Interest income is reported at the stated interest rate as earned, and any premiums or discounts on debt securities are not amortized. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of LACERS pension plan investment. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

For the future contracts, an initial margin is required to open a position and maintain the collateral requirement until the position is closed. LACERS reports the collateral for the future contracts in the short-term investments.

Concentrations

The investment portfolio as of June 30, 2023, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments

For the fiscal year ended June 30, 2023, the aggregate annual money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan on LACERS investments, net of investment expenses, was 7.4%. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. It expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI).

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Receivables

As of June 30, 2023, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

Purchases of capital assets are capitalized upon acquisition if the cost of purchase was $5,000 or more and depreciated over five years using the straight-line method.

Certain costs to develop LACERS Pension Administration System (PAS), a customized software solution critical to LACERS core operations, was capitalized in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The total capitalized cost of $9,413,000 is being amortized starting March 1, 2018, over 15 years using the straight-line method.

This fiscal year, LACERS occupied its headquarters building located at 977 N. Broadway in Los Angeles, California purchased in October 2019 in the amount of $33,750,000. This cost was allocated to Land valued at $4,023,000 and Building valued at $29,727,000, based on the assessment performed on the fair value of acquired assets. Acquisition cost of $236,000 and associated building improvements cost with a total of $19,273,000 were capitalized as part of the building cost. The building and improvements total capitalized cost of $49,236,000 is being depreciated over its estimated useful life of 25 years using the straight-line method.

The System recognizes intangible right-to-use subscription assets in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA),* using LACERS estimated incremental borrowing rate and included extensions in the term if, after considering relevant economic factors, it is reasonably certain to be exercised. LACERS does not recognize subscription asset for SBITA with noncancellable term of 12 months or less.

Administrative Expenses

All administrative expenses are funded from LACERS fiduciary net position, which represents accumulated investment earnings and contributions from the City and the Members net of payments.

Reserves

As provided in the Los Angeles City Charter, LACERS is maintained on a reserve basis, determined in accordance with recognized actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Reserves for the Retirement Plan

Member Contributions (Mandatory) – To provide for individual accounts of Members consisting of Active Member mandatory contributions to the Retirement Plan and interest credited to Members accounts, less refunds of Members contributions and transfers to the Annuity reserve.

Member Contributions (Voluntary) – To provide for individual accounts of Members participating in the larger annuity program of Active Member voluntary contributions and interest/investment return credited to Members' accounts, less refunds of Member contributions (voluntary) and transfers to the Larger Annuity reserve.

Basic Pensions – To provide for the City's guaranteed portion of retirement benefits consisting of City contributions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to retired Members and beneficiaries, and allocated investment and administrative expenses.

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Reserves (Continued)

Annuity – To provide for the Members' share of retirement benefits consisting of Members' mandatory contribution balances transferred at retirement; investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments; less payments to retired Members and beneficiaries.

Larger Annuity – To provide for the Larger Annuity benefit consisting of Members' voluntary contribution balances transferred at retirement including Internal Revenue Service (IRS) Section 457 deferred compensation and other rollovers; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to participating retired Members and beneficiaries, and allocated investment and administrative expenses.

Family Death Benefit Plan (FDBP) – To pay benefits under the Family Death Benefit Plan administered by LACERS consisting of Active Member voluntary contributions; matching City of Los Angeles contributions; and investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to beneficiaries and allocated investment and administrative expenses.

Reserves for the Postemployment Health Care Plan

401(h) Account – To provide health care benefits for retirees consisting of City contributions received until fiscal year 2019; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to insurance providers, including payment to the 115 Trust fund for the self-funded insurance premium and Members' portion of insurance premium reserve.

115 Trust Account – This Health Care fund is currently limited to pay the benefit claims from LACERS self-funded insurance plans, but ultimately will fund all health care benefits for retirees upon depletion of the existing 401(h) account reserve. The 115 Trust account currently consists of City Contributions received starting fiscal year 2020, self-funded insurance plan premiums and prepayments; certain retired Members' health insurance premium deductions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments of the self-funded insurance plan claims and related third party administration fees; and certain direct and allocated administrative expenses.

Reserve balances as of June 30, 2023, were as follows (in thousands):

Reserve for the Retirement Plan		
Member Contributions		
Mandatory	$ 2,821,137	
Voluntary	8,788	
Basic Pensions	14,381,210	
Annuity	750,945	
Larger Annuity	68,284	
FDBP	18,515	$ 18,048,879
Reserve for the Postemployment Health Care Plan		
401(h) Account	$ 3,050,906	
115 Trust Account	489,480	3,540,386
Total		**$ 21,589,265**

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Comparative Totals

The basic financial statements include certain prior year summarized comparative data in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with LACERS' financial statements for the year ended June 30, 2022, from which the summarized data were derived.

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Changes in economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ from those estimates materially.

Risk and Uncertainty That May Impact Financial Operations and Performance

The System operates in an environment that is exposed to various risks and uncertainties. The global economic activity and financial markets continue to be impacted by various disruptions such as inflation surge and international issues. These have resulted in increased financial market volatility and performance. It is currently unclear how measures being taken to address these issues both globally and in the United States would impact future market performance. Additionally, the total pension liabilities, net pension liabilities, total OPEB and Net OPEB (asset) liability disclosed in Notes 2 and 3 to the Basic Financial Statements are measured based on certain assumptions, including the long-term rate of return on investments, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions described in this section, it is at least reasonably possible that changes in these estimates and assumptions in the near term may have material impact on the financial statements. LACERS Board and management continue to closely monitor the financial market. LACERS' investment strategy is to maintain a well-diversified portfolio to mitigate the risk of market uncertainty.

Adoption of New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement take effect for financial statements starting with the fiscal year ending June 30, 2023. This Statement has no material impact on LACERS financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement take effect starting with the fiscal year ending June 30, 2023. This Statement has no material impact on LACERS financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement take effect starting with the fiscal year that ends June 30, 2023. LACERS implemented this statement during the fiscal year ended June 30, 2023.

Recent GASB Pronouncements for Future Adoption

LACERS is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 99, *Omnibus 2022.* The requirement related to leases, PPPs, and SBITAs takes effect starting fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instrument with the scope of Statement 53 will take effect in fiscal year ending June 30, 2024.

Note 1. Description of LACERS and Significant Accounting Policies (Continued)

Recent GASB Pronouncements for Future Adoption

GASB Statement No. 100, *Accounting Changes and Errors Correction- an amendment of GASB Statement No. 62*. The requirements of this Statement will take effect for fiscal years starting after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*. The requirements of this Statement will take effect for fiscal years starting after December 15, 2023.

Note 2. Retirement Plan Description

Plan Administration and Membership

LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits.

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, certain Port Police officers of the Harbor, and certain Airport Peace Officers of the Airports who elected to opt out of LACERS. Upon transferring all active Tier 2 Members to Tier 1 as of February 21, 2016, Membership to Tier 1 is now closed to new entrants unless a Member meets one of the exceptions allowed in the Ordinance (No. 184134). Eligible employees hired on or after February 21, 2016, become Members of Tier 3.

Plan Members have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member who has five or more years of continuous City service terminates employment, the Member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

As of June 30, 2023, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	17,968
Non-vested	7,907
	25,875
Inactive:	
Non-vested	7,759
Terminated Entitled to Benefits, Not Yet Receiving Benefits	3,389
Retired	22,510
Total	**59,533**

Note 2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided

Tier 1

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly pensionable salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit.

Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Tier 1 – Enhanced Benefits

On March 28, 2017, the City Council adopted an ordinance (No. 184853) to amend the Los Angeles Administrative Code (LAAC) authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer into Tier 6 of LAFPP Plan or to remain in LACERS Plan with enhanced benefits. All new APO hired after that date would be enrolled in LAFPP Tier 6. Under the ordinance, APO Members who elect to remain in LACERS would be Tier 1 Members and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.30% (versus 2.16% for all other Tier 1 Members), contingent upon a mandatory additional contribution payment of $5,700 required by LAAC Section 4.1002(e)(2) to LACERS before January 8, 2019, or prior to the Member's retirement date, whichever is earlier.

Tier 3

Plan Members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provided that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Plan Members also are eligible to retire with an age-based reduced benefit before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the Member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the Member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, the System also provides Tier 3 Members enhanced retirement benefits with a 2.0% retirement factor if the Member retires at age 63 with at least 10 years of service, or a retirement factor of 2.1% if the Member retires at age 63 with 30 years of service.

Note 2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

Tier 3 (Continued)

Tier 3 retirement benefits are determined by multiplying the Member's retirement factor (1.5% - 2.1%), with the Member's Final Average Compensation (FAC) based on the Member's pensionable salary for the last 36 months or any other 36 consecutive months designated by the Member, and by the Member's years of service credit (SC) as follows:

Age at Retirement	Required Years of Service	Retirement Benefit(1)
Under 55	30 Years	2.0% x FAC x Yrs. of SC(2)
55 and Over	30 Years	2.0% x FAC x Yrs. of SC
60 and Over	10 Years	1.5% x FAC x Yrs. of SC
63 and Over	10 Years	2.0% x FAC x Yrs. of SC
63 and Over	30 Years	2.1% x FAC x Yrs. of SC

(1) Retirement allowance may not exceed 80% of final compensation except when benefit is based solely on the annuity component funded by the Member's contributions.

(2) A reduction factor will be applied based on age at retirement.

Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Cost of Living Adjustment

Retirement allowances are indexed annually for inflation. The Board has authority to determine, no later than May 1st of each year, the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a Cost of Living Adjustment (COLA) to the benefits of eligible Members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 Members or 2.0% for Tier 3 Members. For Tier 1 Members, the COLA percentage greater than 3.0% is banked for future use.

Note 2. Retirement Plan Description (Continued)

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2023, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 29.39% (30.16% for Tier 1 and 26.93% for Tier 3) of projected payroll, based on the June 30, 2021 actuarial valuation.

Upon closing the fiscal year 2022-23, LACERS re-calculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2022. As a result, employer contributions received for the Retirement Plan were $71,723,000 more than required, which was recorded in fiscal year 2022-23 and credited towards employer contributions payment for fiscal year 2023-24. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 29.01% for fiscal year 2022-23.

Member Contributions

Tier 1 and Tier 1 Enhanced

The current contribution rate for Tier 1 and Tier 1 Enhanced Members is 11% of their pensionable salary including a 1% increase in the Member contribution rate pursuant to 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first). Contribution rates for Tier 1 and Tier 1 Enhanced Members is expected to decrease by 1% once ERIP obligation is met.

Tier 3

The contribution rate for Tier 3 Members is 11% of their pensionable salary. Unlike Tier 1, Tier 3 Members do not pay ERIP contribution, therefore, Tier 3 Members' contribution rate will not drop down when Tier 1 Members cease to pay the 1% ERIP contribution.

Net Pension Liability

In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Family Death and Larger Annuity benefits. As of June 30, 2023, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 25,299,537
Less Plan Fiduciary Net Position[(1)]	17,953,293
Plan's Net Pension Liability	$ 7,346,244
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.0%

[(1)] Plan fiduciary net position is $18,048,879,000 as of June 30, 2023 without excluding amounts associated with Family Death and Larger Annuity benefits.

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2023, are summarized below:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Cost Method (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022)
Long-Term Expected Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Annual COLAs	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *(currently in pay status)*	Pub-2010 Contingent Survivor Amount-Weighted Above Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *(not currently in pay status)*	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Percent Married / Domestic Partner	76% of male participants and 52% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate and Investment Rates of Return

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed Plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries, as well as projected contributions from future Plan Members, are not included. Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2023.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with June 30, 2023 any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with June 30, 2023 including only investment consulting fees, custodian fees and other miscellaneous investment expenses) and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation) are shown in the following table. These values are after deducting applicable investment management expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2023 actuarial valuation. This information will change every three years based on the actuarial experience study. The last experience study was for July 1, 2019 through June 30, 2022. The next experience study will be conducted in fiscal year 2025-26.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	15.00%	6.00%
Small/Mid Cap U.S. Equity	6.00%	6.65%
Developed International Large Cap Equity	15.00%	7.01%
Developed International Small Cap Equity	3.00%	7.34%
Emerging Markets Equity	6.67%	8.80%
Core Bonds	11.25%	1.97%
High Yield Bonds	1.50%	4.63%
Bank Loans	1.50%	4.07%
Protected Securities (TIPS)	3.60%	1.77%
Emerging Market External Debt	2.00%	4.72%
Emerging Market Local Currency Debt	2.00%	4.53%
Real Estate Core	4.20%	3.86%
Cash & Equivalents	1.00%	0.63%
Private Equity	16.00%	9.84%
Private Credit (Private Debt)	5.75%	6.47%
Emerging Market Small-Cap Equity	1.33%	11.10%
REIT	1.40%	6.80%
Real Estate -Non Core	2.80%	5.40%
Total	**100.00%**	**6.27%**

Note 2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 10,670,437	$ 7,346,245	$ 4,597,569

Note 3. Postemployment Health Care Plan Description

Plan Administration and Membership

LACERS administers and provides single-employer postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan regardless of their membership tiers. These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s).

As of June 30, 2023, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses [1]	17,759
Vested terminated Members entitled to, but not yet receiving benefits [2]	1,617
Retired Members and surviving spouses not yet eligible for health benefits	132
Active Members	25,875
Total	**45,383**

[1] Total participants including married dependents and dependent children currently receiving benefits are 23,696.
[2] Includes terminated Members due a refund of employee contributions.

Note 3. Postemployment Health Care Plan Description (Continued)

Plan Administration and Membership (Continued)

On November 9, 2018, the City Council approved Ordinance No. 185829 to amend Article 1 of Chapter 11, Division 4 of the Los Angeles Administrative Code to establish the LACERS Health Care Fund (115 Trust Account) for the sole purpose of funding the retiree healthcare benefits for eligible LACERS retirees and beneficiaries as well as to help stabilize premium rates over time.

The City and the Board of LACERS entered into a written trust agreement for the LACERS Health Care Fund which shall provide an alternative funding mechanism, in addition to or in lieu of the existing 401(h) account described in LAAC Section 4.1102 for funding benefits under the health and welfare programs. The LACERS Health Care Fund is intended to qualify for federal tax exemption under Section 115 of the Internal Revenue Code. Because health benefits paid out of the LACERS Health Care Fund are not required to be subordinate to the Plan retirement benefits, the LACERS Health Care Fund would not become taxable if the Plan health benefits surpass the 25% threshold. Second, the LACERS Health Care Fund gives LACERS more flexibility to invest premium surpluses to provide for smoothing should healthcare premiums increased considerably in the future. Currently, the Health Care Coverage Account (401(h) account) cannot receive full refunds of excess premiums from insurance providers. However, the LACERS Health Care Fund can receive full premium surplus refunds from insurance providers; therefore, the System can invest these funds at a higher rate of return than the insurance providers' reserve account interest rate.

Eligibility Requirement and Benefits Provided

To be eligible for LACERS postemployment healthcare benefits, Member must: 1) be at least age 55; 2) have at least 10 whole years of service with LACERS; and 3) be enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

The maximum subsidies are set annually by the Board. Effective February 21, 2016, healthcare benefit eligibility requirements have changed for the Members who have periods of part-time service. Such Members are now eligible to participate in the LACERS retiree medical programs with 10 whole years of service, even if some or all that service was part-time, provided that the Member meets the eligibility requirements. Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Plan Members are entitled to the System's postemployment healthcare benefits after the retired Member's death.

During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2023, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap.

Note 3. Postemployment Health Care Plan Description (Continued)

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The actuarially determined aggregate contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2023, was 3.92% (3.77% for Tier 1 and 4.42% for Tier 3) of projected payroll, based on the June 30, 2021 actuarial valuation.

Upon closing the fiscal year 2022-23, LACERS re-calculated employer contribution rate using actual payroll incurred during the fiscal year which was lower than projected covered payroll used by the City to make the advance payment on July 15, 2022. As a result, employer contributions for Postemployment Health Care Plan were $9,754,000 more than required, which was recognized in fiscal year 2022-23 and credited towards employer contribution payment for fiscal year 2023-24. Based on actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 3.93% for fiscal year 2022-23.

Net OPEB (Asset) Liability

As of June 30, 2023, the components of the net OPEB liability were as follows (in thousands):

Total OPEB Liability	$ 3,405,088
Less: Plan Fiduciary Net Position	3,540,386
Plan's Net OPEB (Asset) Liability	$ (135,298)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	104.0%

Significant Assumptions

The total OPEB liability as of June 30, 2023 was determined by actuarial valuation as of June 30, 2023. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation, and healthcare cost trend rates in the valuation year of June 30, 2023, are summarized below:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.00% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022)
Long-Term Expected Rate of Return	7.00%
Inflation	2.50%
Salary Increase	Range from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

Mortality Table for Retirees	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *(currently in-pay status)*	Pub-2010 Contingent Survivor Headcount-Weighted Above Median Mortality Tables (separate tables for males and females), with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *(not currently in-pay status)*	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member’s death.

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

Medical Premium Trend Rates to be applied in the following fiscal years to all health plans. Trend Rate is to be applied to the premium for the shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2023-2024 and later years are:

First Fiscal Year (July 1, 2023 through June 30, 2024)		
Carrier	**Under Age 65**	**Age 65 & Over**
Kaiser HMO	9.49%	3.25%
Anthem Blue Cross HMO	8.01%	N/A
Anthem Blue Cross PPO	8.01%	(3.35)%
UHC Medicare HMO	N/A	(4.51)%

Approximate Trend Rate (%) Fiscal Year 2024 - 2025 and later		
Fiscal Year	**Non-Medicare**	**Medicare**
2024 - 2025	7.12%	6.37%
2025 – 2026	6.87%	6.12%
2026 – 2027	6.62%	5.87%
2027 – 2028	6.37%	5.62%
2028 – 2029	6.12%	5.37%
2029 – 2030	5.87%	5.12%
2030 – 2031	5.62%	4.87%
2031 – 2032	5.37%	4.62%
2032 – 2033	5.12%	4.50%
2033 – 2034	4.87%	4.50%
2034 - 2035	4.62%	4.50%
2035 and later	4.50%	4.50%

Dental Premium Trend - 1.50%, then 3.00% thereafter

Medicare Part B Premium Trend - 5.20%, then 4.50% thereafter

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Discount Rate and Investment Rates of Return

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with June 30, 2023, any applicable investment management expense) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with June 30, 2023 including only investment consulting fees, custodian fees and other miscellaneous investment expenses) and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation) are shown in the following table. These values are after deducting applicable investment management expense. This information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2023 actuarial valuation. This information will change every three years based on the actuarial experience study. The last experience study was for July 1, 2019 through June 30, 2022. The next experience study will be conducted in fiscal year 2025-26.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	15.00%	6.00%
Small/Mid Cap U.S. Equity	6.00%	6.65%
Developed International Large Cap Equity	15.00%	7.01%
Developed International Small Cap Equity	3.00%	7.34%
Emerging Markets Equity	6.67%	8.80%
Core Bonds	11.25%	1.97%
High Yield Bonds	1.50%	4.63%
Bank Loans	1.50%	4.07%
Protected Securities (TIPS)	3.60%	1.77%
Emerging Market External Debt	2.00%	4.72%
Emerging Market Local Currency Debt	2.00%	4.53%
Real Estate Core	4.20%	3.86%
Cash & Equivalents	1.00%	0.63%
Private Equity	16.00%	9.84%
Private Credit (Private Debt)	5.75%	6.47%
Emerging Market Small-Cap Equity	1.33%	11.10%
REIT	1.40%	6.80%
Real Estate - Non Core	2.80%	5.40%
Total	**100.00%**	**6.27%**

Note 3. Postemployment Health Care Plan Description (Continued)

Net OPEB (Asset) Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what LACERS net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 316,466	$ (135,298)	$ (508,751)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2023, calculated using the healthcare cost trend rates as well as what LACERS net OPEB (asset) liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rate (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates(1)	1% Increase
$ (546,070)	$ (135,298)	$ 372,464

(1) Current healthcare cost trend rates: 7.12% graded down to 4.50% over 11 years for Non-Medicare medical plan costs, and 6.37% graded down to 4.50% over 8 years for Medicare medical plan costs. Actual premium increase in first year, then 3.00% thereafter for Dental and 4.50% thereafter for Medicare Part B subsidy cost.

Note 4. Contributions Required and Contributions Made

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes including the 2009 ERIP, are amortized over separate 15 year-periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two (at that time) GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012. For OPEB, all bases as of June 30, 2020 were re-amortized over 21 years effective with the June 30, 2021 valuation. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

Note 4. Contributions Required and Contributions Made (Continued)

The total contributions to LACERS for the fiscal year ended June 30, 2023, in the amount of $1,019,996,000 ($929,415,000 for the Retirement Plan and $90,581,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Initial Contributions [1]	$ 741,114	$ 100,335
True-up Adjustments [2]	(71,723)	(9,754)
Required Contributions	669,391	90,581
FDBP	47	-
Total City Contributions	669,438	90,581
Member Contributions	259,977	-
Total Contributions	**$ 929,415**	**$ 90,581**

(1) The initial City contributions made on July 15, 2022 were based on applying actuarially-determined contributions rates to projected payroll for the fiscal year.

(2) At the end of the fiscal year, LACERS recalculated required contributions based on actual payroll, resulting in these true-up adjustments.

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $669,391,000 were equal to 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 67. The City contributions made for the Postemployment Health Care Plan, in the amount of $90,581,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of $259,977,000 were made toward the Retirement Plan, the voluntary Larger Annuity Plan and Family Death Benefit Plan.

Note 5. Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 47 - 52 for the Retirement Plan and pages 53 - 58 for the Postemployment Health Care Plan.

Note 6. Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of LACERS funds, and should discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2023, for the Retirement Plan and Postemployment Health Care Plan included approximately $4,718,000 held in LACERS general operating accounts with the City Treasurer, $2,284,000 in building operating account with LACERS building property management and short-term investments funds (STIF) of $420,786,000 for a total of $427,788,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2023, short-term investments included collective STIF of $331,854,000, international STIF of $29,072,000, and future contracts initial margin and collaterals of $59,860,000.

Note 6. Cash and Short-Term Investments and Investments (Continued)

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts and options, rights and warrants and swaps, are recorded in the Statement of Fiduciary Net Position with a net negative value of $1,886,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income (Loss). LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2023, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ -	$ -	$ -
Equity Index	23,689	133	370
Foreign Exchange	-	-	-
Interest Rate	(13,364)	21	57
Currency Forward Contracts	627,263	1,219	2,077
Currency Options	N/A	(1,358)	(1,339)
Right / Warrants	N/A	48	2
Swaps–Interest Rate	N/A	(2,388)	227
Swaps–Credit Contracts	N/A	439	(2,028)
Total Value		**$ (1,886)**	**$ (634)**

Credit Risk – Derivatives

Derivatives are subject to credit risk that the counterparty to a contract will default. LACERS is exposed to credit risk on reported assets of the investment derivatives that are traded over the counter. The credit risk of exchange traded derivatives for future contracts is considered minimal because the exchange clearing house is the counterparty and guarantees the performance.

LACERS permits investment managers, under the terms of individual guidelines, to use derivative instruments as set forth in each manager’s investment guidelines to control portfolio risk. It is the responsibility of these investment managers to actively monitor counterparties on their financial safety and ensure compliance with the investment restrictions. LACERS has no general investment policy with respect to netting arrangements or collateral requirements. However, these individual investment managers have set up the arrangements with the counterparties to net off the positive and negative contracts with the same counterparty in case of the counterparty’s default.

As of June 30, 2023, without respect to netting arrangements, LACERS maximum income on derivative instruments subject to credit risk, namely currency forward contracts, is $5,219,000. All counterparties of these investment derivatives had the credit rating of “A” or “AA” assigned by S&P.

Note 6. Cash and Short-Term Investments and Investments (Continued)

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2023, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 45,771	1.38 %
AA+	5,768	0.17
AA	735,835	22.13
AA-	18,631	0.56
A+	36,614	1.10
A	58,999	1.78
A-	179,586	5.40
BBB+	236,435	7.11
BBB	190,802	5.74
BBB-	171,859	5.17
BB+	86,811	2.61
BB	115,777	3.48
BB-	122,928	3.70
B+	57,952	1.74
B	71,442	2.15
B-	78,442	2.36
CCC+	76,840	2.31
CCC	63,419	1.91
CCC-	12,268	0.37
CC	158	0.00
D	7,626	0.23
Not Rated	951,087	28.60
	$ 3,325,050	100.00 %
U.S. Government Guaranteed Securities[1]	2,260,965	
Total Fixed Income Securities	**$ 5,586,015**	

[1] Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities which had the AA+ rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

Note 6. Cash and Short-Term Investments and Investments (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2023, LACERS has exposure to such risk in the amount of $28,126,000 or 0.4% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 13 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Investment securities are exposed to custodial credit risk if the securities are not insured, are not registered in LACERS name, and are held by the counterparty, or the counterparty's trust department or agent but not in LACERS name. As of June 30, 2023, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations as of June 30, 2023 is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 78,407	3.04
Bank Loans	105,025	(0.08)
Commercial Mortgage-Backed Securities	80,310	2.79
Corporate Bonds	1,110,916	5.01
Government Agencies	65,423	7.16
Government Bonds	1,358,092	7.59
Government Mortgage-Backed Securities	595,508	7.42
Index Linked Government Bonds	958,463	4.45
Municipal/Provincial Bonds	15,418	5.57
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	34,515	3.96
Opportunistic Debts	469,555	0.12
Other Fixed Income (Funds)	714,385	6.29
Derivative Instruments	21	98.47
Total Fixed Income Securities	**$ 5,586,038**	

Note 6. Cash and Short-Term Investments and Investments (Continued)

Concentration of Credit Risk

The investment portfolio as of June 30, 2023, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Highly-Sensitive Investments

Highly-sensitive investments are certain debt investments whose terms may cause their fair value to be highly-sensitive to market interest rate changes. Terms include embedded options, coupon multipliers, benchmark indexes, and reset dates. LACERS asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of LACERS asset-backed investments by investment type (in thousands):

Investment Type	Fair Value
Asset-Backed Securities	$ 78,407
Commercial Mortgage-Backed Securities	80,310
Government Agencies	65,423
Government Mortgage-Backed Securities	595,508
Non-Government Backed C.M.O.s	34,515
Total Asset-Backed Investments	**$ 854,163**

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 24% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

Notes to the Basic Financial Statements

Note 6. Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2023, which represent 24.01% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivatives Instruments	Other Investments	Total Fair Value in USD
Australian dollar	$ (1,904)	$ 116,190	$ -	$ 49	$ -	$ 114,335
Brazilian real	27,602	60,042	29,844	(1,341)	(1,421)	114,726
British pound sterling	466	500,036	-	26	-	500,528
Canadian dollar	484	290,310	-	58	-	290,852
Chilean peso	(11,684)	2,993	10,528	(192)	(140)	1,505
Chinese yuan renminbi	15,763	46,798	14,068	981	184	77,794
Colombian peso	3,698	406	35,632	(1,047)	(1,039)	37,650
Czech koruna	(2,578)	730	27,020	(470)	(439)	24,263
Danish krone	153	104,079	-	-	-	104,232
Egyptian pound	1,329	-	-	-	-	1,329
Euro	(32,086)	1,108,009	42,235	21	333,123	1,451,302
Hong Kong dollar	1,053	249,740	-	1	-	250,794
Hungarian forint	(3,073)	1,176	23,959	94	354	22,510
Indian rupee	(8,405)	218,771	-	(136)	(44)	210,186
Indonesian rupiah	(4,159)	21,986	53,360	93	-	71,280
Israeli new shekel	704	27,105	-	33	-	27,842
Japanese yen	2,913	647,766	-	(10)	-	650,669
Kazakhstan tenge	860	-	-	-	-	860
Malaysian ringgit	7,885	14,158	34,648	(60)	(117)	56,514
Mexican peso	1,554	58,046	45,225	(698)	(582)	103,545
New Romanian Leu	2,913	-	16,604	15	-	19,532
New Taiwan dollar	6,276	216,017	-	46	-	222,339
New Zealand dollar	97	3,752	-	9	-	3,858
Norwegian krone	163	43,180	-	-	-	43,343
Peruvian nuevo sol	(5,491)	-	18,347	(63)	-	12,793
Philippine peso	1,958	8,461	-	-	-	10,419
Polish zloty	7,088	8,166	24,126	344	850	40,574
Qatari riyal	12	4,427	-	-	-	4,439
Russian ruble	650	-	-	-	-	650
Singapore dollar	(20,233)	59,499	-	104	-	39,370
South African rand	(5,208)	31,806	50,818	(180)	(129)	77,107
South Korean won	(21,869)	127,756	-	444	136	106,467
Swedish krona	106	121,325	-	-	-	121,431
Swiss franc	413	241,415	-	-	-	241,828
Thai baht	19,741	21,277	14,758	40	-	55,816
Turkish lira	859	3,962	-	11	-	4,832
United Arab Emirates dirham	37	11,537	-	-	-	11,574
Uruguayan peso uruguayo	941	-	-	-	-	941
Total Investments Held in Foreign Currency	**$ (10,972)**	**$ 4,370,921**	**$ 441,172**	**$ (1,828)**	**$ 330,736**	**$ 5,130,029**

Note 6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements

LACERS follows GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application*. GASB 72 addresses accounting and financial reporting issues related to fair value measurements and disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in either a government's principal or the most advantageous market at the measurement date.

The System's investments are measured and reported within the fair value hierarchy established by US GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

Schedule of Investments by Fair Value Hierarchy

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 or 3 of the fair value hierarchy are valued using a matrix pricing technique based on the availability of the market price, the pricing source and type, and the country of incorporation of the securities. The hierarchy levels are determined based on the level of corroborative information obtained from other market sources to assert that the prices provided represent observable data.

The exchange traded Future Contracts classified in Level 1 of the fair value hierarchy are valued using a daily settlement when available or as a daily mark to market. The Foreign Exchange Contracts (liabilities) classified in Level 2 of the fair value hierarchy are valued using independent pricing services including London Close Mid-evaluation, WM/Reuters Company, Bloomberg, and Thomson Reuters.

Real estate funds classified in Level 3 of the fair value hierarchy are valued based on periodic appraisals in accordance with industry practice, or other valuation methods and techniques including models.

The System's remaining investments not categorized under the fair value hierarchy, such as private equity partnerships, real estate comingled funds and other investments which do not have a readily determinable fair value have been valued at the Net Asset Value (NAV). NAV is calculated and used as a practical expedient to estimate fair value of LACERS' interest, unless it is probable that all or a portion of the investments will be sold for an amount different from the NAV. As of June 30, 2023, LACERS had no specific plans to sell investments at amounts different from NAV. These investments are disclosed in the Investments Measured at the NAV on page 42.

Note 6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2023 (in thousands):

		Fair Value Measurements Using		
Investments by Fair Value Level:	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Debt securities:				
Government Bonds	$ 2,316,554	$ -	$ 2,294,826	$ 21,728
Government Agencies	65,423	-	65,423	-
Municipal/Provincial Bonds	15,418	-	15,418	-
Corporate Bonds	1,223,837	-	1,217,360	6,477
Bank Loans	105,025	-	105,025	-
Government Mortgage Bonds	595,508	-	595,508	
Commercial Mortgage Bonds	80,310	-	80,310	-
Opportunistic Debts	117,485	-	-	117,485
Funds – Fixed Income ETF	2,434	2,434	-	-
Total Debt Securities	4,521,994	2,434	4,373,870	145,690
Equity Securities:				
Common Stock:				
Basic Industries	1,367,168	1,367,051	22	95
Capital Goods Industries	482,384	482,233	-	151
Consumer & Services	2,098,659	2,097,432	1,137	90
Energy	593,938	593,579	-	359
Financial Services	1,409,830	1,409,626	-	204
Health Care	964,819	964,481	-	338
Information Technology	1,600,283	1,600,154	-	129
Real Estate	730,387	730,005	-	382
Other Funds - Common Stock	846,647	-	846,647	-
Miscellaneous	14,095	11,905	18	2,172
Total Common Stock	10,108,210	9,256,466	847,824	3,920
Preferred Stock	37,617	37,617	-	-
Stapled Securities	5,906	5,906	-	-
Convertible Equity	501	487	14	-
Total Equity Securities	10,152,234	9,300,476	847,838	3,920
Real Estate Funds	392,378	-	-	392,378
Total Investments by Fair Value Level	15,066,606	$ 9,302,910	$ 5,221,708	$ 541,988
Investments Measured at the NAV:				
Common Fund Assets	711,951			
Private Equity Funds	4,154,437			
Real Estate Funds	870,012			
Opportunistic Debts	352,070			
Total Investments Measured at the NAV	6,088,470			
Total Investments Measured at Fair Value[(1)]	**$ 21,155,076**			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ 154	$ 154	$ -	$ -
Foreign Exchange Contracts (liabilities)	1,219	-	1,219	-
Rights/Warrants/Options/Swaps	(3,259)	(1,920)	(1,358)	19
Total Investment Derivative Instruments	$ (1,886)	$ (1,766)	$ (139)	$ 19

[(1)] Excluded $(1,886,000) of investment derivative instruments (shown separately) and $210,806,000 of securities lending collateral.

Note 6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

Investments Measured at the NAV: (in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets [1]	$ 711,951	$ -	Daily	2 days
Private Equity Funds [2]	4,154,437	1,650,990	N/A	N/A
Real Estate Funds [3]	870,012	31,571	Daily, Quarterly	1-90 days
Opportunistic Debts [4]	352,070	-	Monthly	30 days
Total Investments Measured at NAV	$ 6,088,470	$ 1,682,561		

(1) Common fund assets - This investment type includes one fund that primarily invests in U.S. bonds. The fair value of the investment has been determined using a practical expedient based on the investments' NAV per share (or its equivalent). This investment can be redeemed daily, with a two-day advance redemption notice period.

(2) Private equity funds - This investment type includes 319 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 22 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Nine investments, representing approximately 85.5% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. Thirteen investments, representing approximately 14.5% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 99.8% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 0.2% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. The fund is still being liquidated.

Note 7. Securities Lending Agreement

Under authority granted by the City Charter, LACERS has entered into various short-term arrangements with its custodian to lend securities to various brokers. There are no restrictions on the number of securities that may be lent, and the custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Minimum collateralization is 103% of the fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral is invested in a separate account comprised of money market or high-quality short-term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending. As of June 30, 2023, the fair value of the securities on loan was $1,002,246,000. The fair value of associated collateral was $1,047,295,000 ($210,806,000 of cash collateral and $836,489,000 of non-cash collateral). These agreements provide for the return of the securities and revenue determined by the type of collateral received.

During the reporting period, LACERS had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to LACERS as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities. The value of the invested collateral may fall below the value of the cash collateral pledged by the borrowers and may impair LACERS ability to return cash collateral to the borrowers upon the redemption of loans. If this scenario were to occur, LACERS would be required to make up the deficiency in collateral and would incur a loss.

All securities loans can be terminated on demand by either LACERS or the borrower. Because of this nature, their duration did not generally match the duration of the investment made with the cash collateral. LACERS cannot pledge or sell non-cash collateral unless the borrower defaults.

Note 7. Securities Lending Agreement (Continued)

For loaned securities for which LACERS received cash collateral, the following table represents the fair value of securities on loan, corresponding cash collateral received and cash reinvestment value, as of June 30, 2023 (in thousands):

Securities on Loan	Fair Value of Underlying Securities on Loan	Cash Collateral Received	Collateral Reinvestment Value
U.S. Government & Agency Securities	$ 9,436	$ 9,652	$ 9,652
Domestic Corporate Fixed Income Securities	86,842	88,630	88,630
International Fixed Income Securities	29,719	31,888	31,888
Domestic Stocks	64,418	65,696	65,696
International Stocks	14,001	14,940	14,940
Total	**$ 204,416**	**$ 210,806**	**$ 210,806**

The fair value of cash collateral is reported in the Statement of Fiduciary Net Position. However, the non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position.

On April 28, 2020, the Board adopted several temporary Security Lending Program risk-reducing strategies to minimize potential losses due to unusual and more volatile market conditions as a result of COVID pandemic. These strategies include (1) temporarily reducing the volume of loans in order to reduce LACERS overall exposure; (2) shorten the duration and maturity of individual investments to 60 days; and (3) require a non-U.S. country to hold a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) in order for non-U.S. government or corporate debt to be eligible for investment. These strategies remained in place through the fiscal year ended June 30, 2023.

During fiscal year ended June 30, 2023, LACERS income and expenses related to securities lending were $4,384,000 and $657,000 respectively, a decrease of 4.2%, or $164,000 from prior fiscal year's net security lending income (income net of expenses).

Note 8. Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives).

As of June 30, 2023, LACERS had outstanding commodities, equity index, and interest rate future contracts with an aggregate notional amount of $10,324,000. In addition, on June 30, 2023, LACERS had outstanding forward purchase commitments with a notional amount of $627,263,000 and offsetting forward sales commitments with notional amounts of $627,263,000, which expire in January 2024. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $59,860,000 as of June 30, 2023.

Note 9. Capital Assets

The System's capital assets include land, building, furniture, office and technology equipment, computer software and subscription asset. The cost and related accumulated depreciation/amortization as of the fiscal year ended June 30, 2023 and 2022 (dollars in thousands) are presented below:

	June 30, 2023	June 30, 2022
Capital Assets Not Depreciated/Amortized		
Land	$ 4,023	$ 4,023
Total Capital Assets Not Depreciated/Amortized	4,023	4,023
Capital Assets Depreciated/Amortized		
Building	49,236	40,571
Furniture, Office & Technology Equipment	4,030	3,690
Computer Software	9,413	9,413
Intangible Right-To-Use Leased Asset	-	2,524
Subscription Asset	452	-
Total Capital Assets Depreciated/Amortized	63,131	56,198
Less: Accumulated Depreciation/Amortization		
Building	494	-
Furniture, Office & Technology Equipment	2,584	2,374
Computer Software	3,335	2,706
Intangible Right-To-Use Leased Asset	-	1,836
Subscription Asset	14	-
Total Accumulated Depreciation/Amortization	6,427	6,916
Total Capital Assets, Net of Depreciation/Amortization	**$ 60,727**	**$ 53,305**

Note 10. Leases

LACERS as a Lessee

The System building lease agreement expired on March 31, 2023. As a result, termination of lease asset and the related accumulated amortization of $2,524,000 was recorded as of the fiscal year ending June 30, 2023. Additionally, the related lease liability was fully settled during the fiscal year.

LACERS as a Lessor

The System entered into a cell tower/antenna placement agreement under a five-year extended term expiring on November 30, 2023 with an option to automatically renew for four separate consecutive additional periods of five years. The total amount of inflow of resources, including lease revenue, interest revenue and other lease related inflows, recognized during the fiscal year was $62,000. This total includes $25,000 of variable and other payments not previously included in the measurement of the lease receivable.

Note 11. Subscription-Based Information Technology Arrangements (SBITA)

During the fiscal year, the System entered into a subscription-based information technology arrangements (SBITA) with various vendors for the right to use of their software and licenses for a period of three years which included option to renew for another term. During the current fiscal year, subscription asset in the amount of $452,000 and related accumulated amortization of $14,000 as well as subscription liability of $379,000 were recognized. The total amount of outflows of resources recognized and accrued for the reporting period is $3,000. The subscriptions' principal and interest requirements to maturity are as follows:

Fiscal Year	Payment	Principal	Interest
2024	$ 57,040	$ 47,657	$ 9,383
2025	57,040	49,401	7,639
2026	130,174	116,749	13,425
2027	57,040	53,083	3,957
2028	57,040	55,026	2,014
Total	**$ 358,334**	**$ 321,916**	**$ 36,418**

Note 12. Commitments and Contingencies

As of June 30, 2023, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,934,434,000, including agreements for acquisition not yet initiated.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan

The following schedules included in the Required Supplementary Information for the Retirement Plan shows information for 10 years.

1) Schedule of Net Pension Liability
2) Schedule of Changes in Net Pension Liability and Related Ratios
3) Schedule of Investment Returns (Losses)

Schedule of Net Pension Liability [1]
As of June 30
(Dollars in Thousands)

Fiscal Year	Total Pension Liability	Plan Fiduciary Net Position	Plan's Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension
2014	$ 16,248,853	$ 11,791,079	$ 4,457,774	72.6%
2015	16,909,996	11,920,570	4,989,426	70.5%
2016	17,424,996	11,809,329	5,615,667	67.8%
2017	18,458,188	13,180,516	5,277,672	71.4%
2018	19,944,578	14,235,230	5,709,348	71.4%
2019	20,793,421	14,815,593	5,977,828	71.3%
2020	22,527,195	14,932,404	7,594,791	66.3%
2021	23,281,893	18,918,136	4,363,757	81.3%
2022	24,078,751	17,013,091	7,065,660	70.7%
2023	25,299,537	17,953,293	7,346,244	71.0%

[1] In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position, amounts associated with non-pension benefits (Family Death and Larger Annuity Benefits) were excluded.

Note to Schedule:

Refer to the notes to the Schedule of Changes in Net Pension Liability and Related Ratios.

Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost [2]	$ 412,247	$ 413,863	$ 451,426	$ 374,967	$ 370,409
Interest	1,671,683	1,617,800	1,570,785	1,499,208	1,439,661
Changes of benefit terms	-	-	-	-	-
Differences of expected and actual experience	469,172	(66,172)	(189,822)	308,184	(46,035)
Changes of assumptions	(112,700)	-	-	530,720	-
Benefit payments, including refunds of Member contributions	(1,219,616)	(1,168,633)	(1,077,691)	(979,305)	(915,192)
Net change in total pension liability	1,220,786	796,858	754,698	1,733,774	848,843
Total pension liability-beginning	24,078,751	23,281,893	22,527,195	20,793,421	19,944,578
Total pension liability-ending (a)	$ 25,299,537	$ 24,078,751	$ 23,281,893	$ 22,527,195	$ 20,793,421
Plan fiduciary net position					
Contributions-employer	$ 669,391	$ 591,234	$ 554,856	$ 553,118	$ 478,717
Contributions-Member	257,968	241,876	252,123	259,817	237,087
Net investment income (loss)[4]	1,261,073	(1,542,473)	4,283,202	306,712	799,351
Benefit payments, including refunds of Member contributions	(1,219,616)	(1,168,633)	(1,077,691)	(979,305)	(915,192)
Administrative expenses	(28,614)	(27,033)	(26,758)	(23,531)	(19,600)
Others [3]	-	(16)	-	-	-
Net change in Plan fiduciary net position	940,202	(1,905,045)	3,985,732	116,811	580,363
Plan fiduciary net position-beginning	17,013,091	18,918,136	14,932,404	14,815,593	14,235,230
Plan fiduciary net position-ending (b)	$ 17,953,293	$ 17,013,091	$ 18,918,136	$ 14,932,404	$ 14,815,593
Plan's net pension liability-ending (a)-(b)	**$ 7,346,244**	**$ 7,065,660**	**$ 4,363,757**	**$ 7,594,791**	**$ 5,977,828**
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	71.0%	70.7%	81.3%	66.3%	71.3%
Covered payroll	$ 2,307,336	$ 2,155,005	$ 2,276,768	$ 2,271,039	$ 2,108,171
Plan's net pension liability as a percentage of covered payroll	318.4%	327.9%	191.7%	334.4%	283.6%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position, amounts associated with non-pension benefits (Family Death and Larger Annuity Benefits) were excluded.

(2) The service cost is based on the previous year's valuation.

(3) In fiscal year 2022, a prior period adjustment was made related to the implementation of GASB 87 – Lease, to restate fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report.

(4) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

Schedule of Changes in Net Pension Liability and Related Ratios [1] (Continued)
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost [2]	$ 352,283	$ 340,759	$ 322,574	$ 322,380	$ 317,185
Interest	1,332,878	1,302,278	1,263,556	1,215,151	1,149,966
Changes of benefit terms	25,173	-	-	-	-
Differences of expected and actual experience	144,224	(146,474)	(300,813)	(135,821)	(164,247)
Changes of assumptions	483,717	340,718	-	-	785,439
Benefit payments, including refunds of Member contributions	(851,885)	(804,089)	(770,317)	(740,567)	(721,153)
Net change in total pension liability	1,486,390	1,033,192	515,000	661,143	1,367,190
Total pension liability-beginning	18,458,188	17,424,996	16,909,996	16,248,853	14,881,663
Total pension liability-ending (a)	$ 19,944,578	$ 18,458,188	$ 17,424,996	$ 16,909,996	$ 16,248,853
Plan fiduciary net position					
Contributions-employer	$ 450,195	$ 453,356	$ 440,546	$ 381,141	$ 357,649
Contributions-Member	230,757	221,829	206,377	202,463	203,975
Net investment income (loss)[4]	1,243,817	1,517,545	29,358	306,980	1,810,782
Benefit payments, including refunds of Member contributions	(851,885)	(804,089)	(770,318)	(740,567)	(721,153)
Administrative expenses	(17,699)	(17,454)	(17,204)	(15,860)	(12,372)
Others [3]	(471)	-	-	(4,666)	(2,288)
Net change in Plan fiduciary net position	1,054,714	1,371,187	(111,241)	129,491	1,636,593
Plan fiduciary net position-beginning	13,180,516	11,809,329	11,920,570	11,791,079	10,154,486
Plan fiduciary net position-ending (b)	$ 14,235,230	$ 13,180,516	$ 11,809,329	$ 11,920,570	$ 11,791,079
Plan's net pension liability-ending (a)-(b)	**$ 5,709,348**	**$ 5,277,672**	**$ 5,615,667**	**$ 4,989,426**	**$ 4,457,774**
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	71.4%	71.4%	67.8%	70.5%	72.6%
Covered payroll	$ 2,057,565	$ 1,973,049	$ 1,876,946	$ 1,835,637	$ 1,802,931
Plan's net pension liability as a percentage of covered payroll	277.5%	267.5%	299.2%	271.8%	247.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

(2) The service cost is based on the previous year's valuation.

(3) On July 1, 2015, the System segregated Members' voluntary larger annuity contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by the System's actuarial consultant. The Reserve balance for Larger Annuity Contributions as of June 30, 2015 was $5,200,000. On July 1, 2017, the System reallocated $471,000 of interest from the Reserve for Mandatory Member Contributions into the Reserve for Voluntary Member Contributions.

(4) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment-related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

Schedule of Changes in Net Pension Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 22). Enhanced benefits became effective as of January 7, 2018.

Change of Assumptions: The total pension liability calculation on fiscal years ended June 30, 2014, June 30, 2017, June 30, 2020 and June 30, 2023 reflected various assumption changes based on the triennial actuarial experience study. The latest experience study covers the period July 1, 2019 to June 30, 2022 resulted to changes of assumptions used in the June 30, 2023 actuarial valuation. The changes include inflation rate reduction from 2.75% to 2.50% and various demographic assumption changes such as retirement, mortality, disability and termination rates.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC[1]	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 357,649	$ 357,649	$ -	$ 1,802,931	19.8%
2015	381,141	381,141	-	1,835,637	20.8%
2016	440,546	440,546	-	1,876,946	23.5%
2017	453,356	453,356	-	1,973,049	23.0%
2018	450,195	450,195	-	2,057,565	21.9%
2019	478,717	478,717	-	2,108,171	22.7%
2020	553,118	553,118	-	2,271,039	24.4%
2021	554,856	554,856	-	2,276,768	24.4%
2022	591,234	591,234	-	2,155,005	27.4%
2023	669,391	669,391	-	2,307,336	29.0%

Notes to Schedule:

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Actuarial Cost Method (individual basis).
Amortization Method	Level Percent of Payroll.

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Amortization Period	Multiple layers – closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the fair value of assets.

Actuarial Assumptions:

Investment Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases(1)	Ranges from 4.00% to 9.00% based on years of service.
Cost of Living Adjustment	2.75% for Tier 1; 2.00% for Tier 3. Actual increases are contingent upon Consumer Price Index (CPI) increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with sufficient COLA bank, withdrawals from the bank can be made to increase retiree COLA up to 3% per year.
Mortality	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021 Beneficiaries *(currently in pay status)*: Pub-2010 Contingent Survivor Amount-Weighted Above Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

(1) Includes inflation at 2.50% plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns (Losses)
For the Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	7.1%	(8.0%)	27.5%	2.0%	5.5%	9.3%	12.6%	0.2%	2.6%	18.2%

Note to Schedule:

In fiscal years 2020 to 2023, the impact of highly divergent and volatile global market in LACERS' investments continued resulting from the economic distress caused by the COVID-19 pandemic that started in 2020, the subsequent strong market recovery in 2021, the sharp decline in 2022 brought by the inflation concerns and the gradual market recovery in 2023.

Required Supplementary Information
Postemployment Health Care Plan

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, Los Angeles City Employees' Retirement System (LACERS or the System) presented information only for those years for which information is available:

1) Schedule of Net OPEB (Asset) Liability
2) Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
3) Schedule of Investment Returns (Losses)

Additional years will be displayed in the future as they become available.

Schedule of Net OPEB (Asset) Liability
As of June 30
(Dollars in Thousands)

Fiscal Year	Total OPEB Liability	Plan Fiduciary Net Position	Plan's Net OPEB (Asset) Liability	Plan Fiduciary Net Position as a percentage of the Total OPEB Liability
2016	2,793,689	2,134,877	658,812	76.4%
2017	3,005,806	2,438,862	566,944	81.1%
2018	3,256,827	2,676,371	580,456	82.2%
2019	3,334,299	2,812,098	522,201	84.3%
2020	3,486,530	2,851,204	635,326	81.8%
2021	3,520,078	3,781,652	(261,574)	107.4%
2022	3,580,696	3,347,771	232,925	93.5%
2023	3,405,088	3,540,386	(135,298)	104.0%

Note to Schedule:

Refer to the notes to the Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios.

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost(1)	$ 81,028	$ 81,415	$ 84,817	$ 76,423	$ 74,478
Interest	250,838	246,694	244,776	242,666	236,678
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(12,048)	(369)	10,672	(135,720)	(134,053)
Changes of assumptions	(336,075)	(109,877)	(157,614)	96,076	33,940
Benefit payments(2)	(159,351)	(157,245)	(149,103)	(127,214)	(133,571)
Net change in total OPEB liability	(175,608)	60,618	33,548	152,231	77,472
Total OPEB liability-beginning	3,580,696	3,520,078	3,486,530	3,334,299	3,256,827
Total OPEB liability-ending (a)	$ 3,405,088	$ 3,580,696	$ 3,520,078	$ 3,486,530	$ 3,334,299
Plan fiduciary net position					
Contributions-employer	$ 90,581	$ 91,623	$ 103,454	$ 112,136	$ 107,927
Net investment income (loss)(3)	269,611	(360,636)	983,522	60,899	166,470
Benefit payments(2)	(159,351)	(157,245)	(149,103)	(127,214)	(133,571)
Administrative expense	(8,226)	(7,619)	(7,425)	(6,715)	(5,099)
Others (4)	-	(4)	-	-	-
Net change in Plan fiduciary net position	192,615	(433,881)	930,448	39,106	135,727
Plan fiduciary net position-beginning	3,347,771	3,781,652	2,851,204	2,812,098	2,676,371
Plan fiduciary net position-ending (b)	$ 3,540,386	$ 3,347,771	$ 3,781,652	$ 2,851,204	$ 2,812,098
Plan's net OPEB (asset) liability-ending (a)-(b)	**$ (135,298)**	**$ 232,925**	**$ (261,574)**	**$ 635,326**	**$ 522,201**
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	104.0%	93.5%	107.4%	81.8%	84.3%
Covered payroll	$ 2,307,336	$ 2,155,005	$ 2,276,768	$ 2,271,039	$ 2,108,171
Plan's net OPEB (asset) liability as a percentage of covered payroll	(5.9%)	10.8%	(11.5%)	28.0%	24.8%

(1) The service cost is based on the previous year's valuation.

(2) Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

(3) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment-related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

(4) In fiscal year 2022, a prior period adjustment was made related to the implementation of GASB 87 – Leases, to restate fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report.

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios (Continued)
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2018	2017	2016
Total OPEB Liability			
Service cost[(1)]	$ 74,611	$ 68,385	$ 62,360
Interest	218,686	210,170	199,078
Changes of benefit terms	948	-	17,215
Differences between expected and actual experience[(2)]	(7,321)	19,666	(22,013)
Changes of assumptions	92,178	33,512	-
Benefit payments[(3)]	(128,081)	(119,616)	(109,940)
Net change in total OPEB liability	251,021	212,117	146,700
Total OPEB liability-beginning	3,005,806	2,793,689	2,646,989
Total OPEB liability-ending (a)	$ 3,256,827	$ 3,005,806	$ 2,793,689
Plan fiduciary net position			
Contributions-employer	100,909	97,457	105,983
Net investment income (loss)[(4)]	269,380	330,708	(344)
Benefit payments[(3)]	(128,081)	(119,616)	(109,940)
Administrative expense	(4,699)	(4,564)	(4,528)
Net change in Plan fiduciary net position	237,509	303,985	(8,829)
Plan fiduciary net position-beginning	2,438,862	2,134,877	2,143,706
Plan fiduciary net position-ending (b)	$ 2,676,371	$ 2,438,862	$ 2,134,877
Plan's net OPEB (asset) liability-ending (a)-(b)	**$ 580,456**	**$ 566,944**	**$ 658,812**
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	82.2%	81.1%	76.4%
Covered payroll	$ 2,057,565	$ 1,973,049	$ 1,876,946
Plan's net OPEB (asset) liability as a percentage of covered payroll	28.2%	28.7%	35.1%

(1) The service cost is based on the previous year's valuation.

(2) After the GASB Statement No. 74 valuation report was issued for the fiscal year June 30, 2017, the System's consulting actuary reclassified $12,450,000 of OPEB liability from the *Changes of Assumption* (revised from $45,962,000 to $33,512,000) to the *Differences Between Expected and Actual Experience* (revised from $7,216,000 to $19,666,000). However, this reclassification did not affect the recommended employer contribution rates or results of the OPEB valuation in total.

(3) Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

(4) Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment-related administrative expenses is part of Administrative expenses and excluded from Net investment Income.

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on page 28) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 22) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 97,841	$ 97,841	$	$ 1,802,931	5.4%
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9
2018	100,909	100,909	-	2,057,565	4.9
2019	107,927	107,927	-	2,108,171	5.1
2020	112,136	112,136	-	2,271,039	4.9
2021	103,454	103,454	-	2,276,768	4.5
2022	91,623	91,623	-	2,155,005	4.3
2023	90,581	90,581	-	2,307,336	4.0

Notes to Schedule:

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Actuarial Cost Method (level percent of payroll).
Amortization Method	Level Percent of Payroll.

Schedule of Contribution History (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued):

Amortization Period	Multiple layers – closed amortization periods. The unfunded actuarial accrued liability as of June 30, 2020 is amortized over a fixed period of 21 years beginning June 30, 2021. Assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years. Any actuarial surplus is amortized over 30 years on an open (non - decreasing) basis.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a fair value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Assumptions:

Investment Rate of Return	7.00%
Inflation	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases[(1)]	Ranges from 4.00% to 9.00% based on years of service.
Mortality	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021. Disabled: Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Beneficiaries *(currently in-pay status)*: Contingent Survivor Headcount-Weighted Above Median Mortality Tables (separate tables for males and females), with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. Beneficiaries *(not currently in-pay status)*: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021

(1) Includes inflation at 2.50%, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns (Losses)
For the Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	9.0%	(10.5%)	39.9%	2.1%	6.1%	10.8%	15.2%

Note to Schedule:

The required disclosure about factors that significantly affect trends in the money-weighted rate of return is not provided as only seven years' rates are available. As additional years' money-weighted rate of return become available, the System will disclose factors that significantly affect trends in the rate of return.

In fiscal years 2020 to 2023, the impact of highly divergent and volatile global market in LACERS' investments continued resulting from the economic distress caused by the COVID-19 pandemic that started in 2020, the subsequent strong market recovery in 2021, the sharp decline in 2022 brought by the inflation concerns and the gradual market recovery in 2023.

SUPPLEMENTAL SCHEDULES

Schedule of Additions and Deductions to Fiduciary Net Position
Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2023
(In Thousands)

	401(h)	115 Trust	Total
Additions			
Contributions			
City Contributions	$ -	$ 90,581	$ 90,581
Member Contributions	-	-	-
Total Contributions	-	90,581	90,581
Self Funded Insurance Premium	-	12,809	12,809
Health Insurance Premium Reserve	-	1,423	1,423
Investment Income (Loss)			
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	190,439	30,030	220,469
Interest	24,190	3,815	28,005
Dividends	29,209	4,605	33,814
Other Investment Income	9,051	1,427	10,478
Security Lending Income	571	90	661
Less: Security Lending Expense	(106)	(17)	(123)
Sub-total	253,354	39,950	293,304
Investment Management Fees and Expenses	(20,482)	(3,230)	(23,712)
Investment Related Administrative Expenses	(598)	(94)	(692)
Net Investment Income (Loss)	232,274	36,626	268,900
Building Lease and Other Income	16	3	19
Total Additions	**232,290**	**141,442**	**373,732**
Deductions			
Benefit Payments	(162,564)	(11,019)	(173,583)
Refunds of Contributions	-	-	-
Administrative Expenses	(5,715)	(1,819)	(7,534)
Total Deductions	**(168,279)**	**(12,838)**	**(181,117)**
Net Increase (Decrease) in Fiduciary Net Position	64,011	128,604	192,615
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits			
Beginning of year	2,986,895	360,876	3,347,771
End of year	**$ 3,050,906**	**$ 489,480**	**$ 3,540,386**

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2023
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 13,605	$ 3,121	$ 16,726
Employee Benefits and Development	6,147	1,410	7,557
Total Personnel Services	19,752	4,531	24,283
Professional Services:			
Actuarial	309	70	379
Audit	104	24	128
Legal Counsel	666	153	819
Disability Evaluation	101	23	124
Retirees' Health Admin Consulting	-	706	706
Benefit Payroll Processing	214	49	263
Self Funded Plan Administrative Fee	-	918	918
Other Consulting	139	32	171
Total Professional Services	1,533	1,975	3,508
Information Technology:			
Computer Hardware & Software	683	157	840
Computer Maintenance & Support	229	53	282
Total Information Technology	912	210	1,122
Other Expenses:			
Insurance	144	33	177
Educational and Due Diligence Travel	25	6	31
Office Expenses	434	100	534
Depreciation	1,656	380	2,036
Building Operating Exp	1,302	299	1,601
Total Other Expenses	3,561	818	4,379
Total Administrative Expenses	**$ 25,758**	**$ 7,534**	**$ 33,292**

Schedule of Investment Fees and Expenses
For the Fiscal Year Ended June 30, 2023
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Fees:		
Fixed Income Managers	$ 4,669,991	$ 7,299
Equity Managers	8,485,792	20,747
Subtotal	13,155,783	28,046
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	696
Real Estate Consulting Fees	N/A	175
Other Consulting Fees	N/A	378
Investment Related Administrative Expenses	N/A	3,018
Subtotal	N/A	4,267
Postemployment Health Care Plan		
Investment Management Fees:		
Fixed Income Managers	916,044	1,675
Equity Managers	1,664,535	4,760
Subtotal	2,580,579	6,435
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	160
Real Estate Consulting Fees	N/A	40
Other Consulting Fees	N/A	88
Investment Related Administrative Expenses	N/A	692
Subtotal	N/A	980
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$ 15,736,362	$ 39,728
Private Equity Managers' Fees and Expenses:		
Retirement Plan	$ 3,473,159	$ 58,404
Postemployment Health Care Plan	681,279	13,399
Total Private Equity Managers' Fees and Expenses	$ 4,154,438	$ 71,803
Real Estate Managers' Fees and Expenses:		
Retirement Plan	$ 1,055,373	$ 15,654
Postemployment Health Care Plan	207,017	3,591
Total Real Estate Managers' Fees and Expenses	$ 1,262,390	$ 19,245
Total Assets Under Management and Fees and Expenses	$ 21,153,190[1]	$ 130,776[2]

(1) Excludes Security Lending Collateral assets of $210,086,000.

(2) Includes Investment Management Fees and Expenses of $127,066,000 and Investment-Related Administrative Expenses of $3,710,000.

MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Administration
Los Angeles City Employees' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the retirement plan and the postemployment health care plan of Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise LACERS' basic financial statements, and have issued our report thereon dated December _, 2023.

DRAFT
No Assurance Provided

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Los Angeles City Employees' Retirement System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Los Angeles City Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of Los Angeles City Employees' Retirement System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of LACERS's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Los Angeles City Employees' Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT
No Assurance Provided

El Segundo, California
December _, 2023